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Industrial Development Board

Twenty-eighth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 25 May 2004, at 10 a.m.

Temporary President: Mr. GONZALEZ ANINAT (Chile)
President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 10.30 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-eighth session of the Industrial Development Board. He thanked the Director-General and the Secretariat for consistently supporting him in his work as President of the Board. The twenty-seventh session of the Board had been a success and had laid a solid foundation for future work on a number of issues that were important to many countries. One such issue was biotechnology, which had been the focus of the Global Biotechnology Forum held recently in Chile. One of the Board's agenda items dealt with the outcome of and follow-up to the Forum.

2. Poverty was another important issue and had been discussed during the tenth session of the General Conference. He had chaired a special round table on poverty in Latin America in the context of sustainable development. Such discussions had made it possible to identify links between political and scientific issues, thus facilitating a holistic approach to the problem of poverty. He thanked both the Secretariat and Member States for their cooperation in that regard.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. O. Zniber (Morocco) for the post of President; Mr. S. Ariyapruchya (Thailand), Mr. T. Stelzer (Austria) and Mr. M. Kalinin (Russian Federation) for the posts of Vice-President; and Mr. G. Alvarez Goyoaga (Uruguay) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *Mr. Zniber (Morocco), President, took the Chair.*

STATEMENT BY THE PRESIDENT

6. **The PRESIDENT** said that it was an honour to preside over the current session of the Board. The agenda was a very full one and would need thorough treatment if UNIDO was to be able to carry out its mandate effectively and continue on the path of reform. He thanked the Director-General and the Secretariat for their continuing efforts to facilitate the Organization's work.

7. The activities of UNIDO were particularly important for helping developing countries to build a stable industrial base that would allow them to compete in the global market and reduce their dependence on developed countries. In the past few years, UNIDO had focused on combating poverty, which would help to promote social development and environmental protection and would form part of the Organization's contribution to achieving the Millennium Development Goals (MDGs). He hoped that all parties would work together for peace and stability and the welfare of all people in the world.

8. UNIDO had recently undergone a process of structural reform which had enabled it to implement its projects more effectively and raised its international profile. He welcomed the establishment of informal consultative groups, which provided a forum for discussion of various aspects of the Organization's work, including the question of decentralization. He also commended the Organization's efforts to develop relations with other organizations and agencies, in particular the United Nations Development Programme (UNDP), and emphasized that UNIDO had an important role to play in the process of reform under way in the United Nations system as a whole.

9. Developing countries needed the help of UNIDO more than ever before in order to achieve their aspirations, and it was to be hoped that the Organization would continue to improve the quality of its field work so as to ensure that developing countries had access to the necessary human resources and expertise. The Organization also required adequate financial resources in order to assist developing countries in areas such as technology transfer.

10. A number of important initiatives had been undertaken in Africa in particular, such as the New Partnership for Africa's Development (NEPAD), which provided the most suitable framework for the launching of new UNIDO projects in Africa. UNIDO was already providing technical assistance for the implementation of NEPAD. The Organization's help was also needed in order to bridge the gap between North and South and between rich and poor countries. The international community should redouble its efforts to help developing countries keep pace with globalization and to reduce their heavy burden of debt. Many countries wished to be involved in South-South cooperation, which was a means for them to pool their resources and efforts. UNIDO had organized a symposium on ways in which the countries of the South could help each other.

11. He looked forward to the Director-General's forthcoming official visit to his country, Morocco, which would provide an opportunity to discuss the future enhancement and consolidation of cooperation between Morocco and UNIDO.

ADOPTION OF THE AGENDA (IDB.28/1 and Add.1; IDB.28/CRP.1)

12. *The provisional agenda (IDB.28/1) was adopted.*

STATEMENTS BY THE DIRECTOR-GENERAL AND REPRESENTATIVES OF THE SECRETARIAT

13. **Mr. MAGARIÑOS** (Director-General) congratulated the President and the other members of the Bureau on their election and expressed his gratitude to the departing President and Bureau for their hard work. He also welcomed the Ministers from Côte d'Ivoire, Ghana, Peru, the Sudan, Tajikistan and Senegal, whose presence at the session demonstrated the importance Member States attached to the Organization's work.

14. Referring to General Conference resolution GC.10/Res.2, in which he had been invited to develop a strategic long-term vision statement for the Organization, he said that any long-term vision should be based on a careful analysis of current challenges and a proper evaluation of the past. In the period 1990-1996, the level of technical cooperation delivery had declined by 43 per cent. In 1997, Member States had decided to apply a huge budget cut because of a drop in the membership of the Organization. He had started his term of office in 1998 with a very difficult mandate, set out in the 1997 Business Plan on the Role and Functions of UNIDO, which had included reducing the Organization's budget by 20 per cent and discontinuing a number of activities and programmes, such as those relating to privatization and human resources development.

15. Since the period of decline, technical cooperation delivery had stabilized. However, performance in the year 2000 had convinced him of the need to renew the senior management of the Organization in order to strengthen the process of supervision and provide adequate leadership to staff. The requisite changes had been made in 2001 and 2002. Today, the success of the reform process was clear for all to see. Technical cooperation delivery had increased by 38 per cent in the period 2000-2003, reaching almost the same level as before the budget cut of 1997. That meant the Organization's productivity had increased by 23 per cent; since the same level of delivery was being achieved as in 1997, but with a budget that was 20 per cent smaller.

16. The past biennium had been the best since he had taken office: in 2003 alone, technical cooperation delivery had increased by 16 per cent compared with 2002 and the same levels were forecast for 2004. He believed, therefore, that the increase in the level of delivery was consistent and sustainable, and it was clear from Governments' funding policies and from statements delivered at meetings of the policy-making organs that Member States shared that view. In the past six years, the level of resources received from donor Governments had doubled and funding from multilateral sources had also increased. He expressed the gratitude of the Secretariat and of recipient countries for the generosity shown by donors.

17. The reform process had placed UNIDO in a secure position and equipped it to embark on the next stage of its journey, and he thanked the senior management team and the entire staff of UNIDO for their commitment and dedication, which had made it possible to achieve such good results. However, the Organization's current successful performance should not lead to complacency, but rather should propel the Organization forward to face the new challenges with courage, confidence and determination.

18. The key challenge was to redress the balance of the technical cooperation portfolio by increasing the level of services in areas such as investment promotion, technology transfer, trade capacity-building, private sector and agro-industrial development, energy and the environment. Those activities, essential for helping low-income countries to increase productivity levels, currently represented only about one third of the technical cooperation portfolio. The aim was to increase that proportion over the next four or five years while maintaining a strong presence in areas in which the Organization was already effective.

19. Early in his term of office, he had undertaken to "paint the Organization green"; now, projects under the international protocols accounted for more than 50 per cent of technical cooperation activities. The number of projects relating to other core competencies and funds for them should now be increased. That was not merely an administrative goal but rather a political issue of the utmost importance, which should be discussed, decided upon and overseen by Member States at forthcoming sessions of the Board. It was crucial to the debates on post-conflict interventions and decentralization and should also be central to discussions on how to improve the role of UNIDO in achieving the Millennium Development Goals.

20. The MDGs could be divided into "income poverty" and "non-income poverty" Goals. The distinction did not imply any order of importance but could help to clarify the Organization's potential contribution to the achievement of the Goals. There was in fact only one income poverty Goal, which was to halve, by the year 2015, the proportion of the world's people whose income was less than one dollar a day. All the other Goals fell into the non-income poverty category: those which related to human development.

21. In order to attain the MDG of halving poverty by 2015, sub-Saharan African economies would need to grow at an average rate of about 4 or 5 per cent per capita per annum. With the contribution of non-income Millennium Development Goals standing at some 1.5 per cent, there was a 2 or 3 per cent gap that could only be filled through private-sector-led, sustainable economic growth. The least developed countries (LDCs) and low-income countries must be helped to escape from a low-level equilibrium trap dominated by adverse initial conditions through a combination of non-income poverty Millennium Development Goals and the recommendations of the Poverty Reduction Strategy Papers (PRSPs), the combined effect of which should help them achieve productivity growth and sustainable social progress.

22. Reversing the adverse initial conditions could increase not only actual per capita growth, by around 1.5 per cent, but also the potential growth rate of low-income economies. However, that would not suffice to ensure that such countries' growth rates reached the required levels by 2015. The PRSPs needed to be strengthened to ensure an adequate supply of public goods in some fields such as entrepreneurship development and trade capacity-building, which economies needed for dynamic private sector performance. UNIDO officials had been asked by the International Monetary Fund (IMF) to make further recommendations on that topic.

23. The provision of local and global public goods to ensure financial stability, market integration and the diffusion of knowledge and technology were essential to enable private sector development to narrow the gap between potential and actual growth rates. That was precisely the area in which UNIDO could make the greatest contribution, and the reason why the balance of its technical cooperation portfolio must be redressed. In recent months, the Secretariat had evolved some measures to help redress that balance and increase the relative share of programmes in the fields of investment promotion, technology transfer, trade capacity-building, private sector development, agro-industrial development, energy and environment. Implementation would take time and would need cooperation between Member States and the Secretariat.

24. With regard to action within the Secretariat, it had been decided to transfer authority for project approval from the Executive Board to the Board of Directors so as to increase project-proposal formulation and funding for priority activities. That decision had been based on discussions held at the last senior management retreat. Four committees had been established for project approval, each chaired by a Managing Director, in the areas of poverty reduction through productive capacities, trade capacity-building, human security and energy, and environment; they had received funding earmarked by the Executive Board, which retained a supervisory role. He trusted that bringing the project approval process closer to staff would help improve the quality and quantity of projects in areas prioritized in the medium-term programme framework.

25. Expanding UNIDO's technical cooperation portfolio required decentralization, with a more effective presence in the field. The guidance of Member States was expected to ensure that the enlargement of the portfolio in selected areas was truly demand-driven and fully integrated with the coordination mechanisms for the United Nations system at field level. In that connection, he commended the work of the informal advisory group on decentralization.

26. With regard to action at the level of the United Nations system, he had submitted a proposal to the Secretary-General of the United Nations, which had been extensively debated at the recent meeting of the United Nations System Chief Executives Board for Coordination. He would shortly be expounding the idea at a meeting in Geneva with the heads of the International Labour Organization (ILO), the World Trade Organization (WTO), the United Nations Department of Economic and Social Affairs and the United Nations Conference on Trade and Development.

27. The core of the proposal was based on his diagnosis of the MDGs; it aimed at redressing the current shortfall of public goods in developing economies so as to increase the chances of achieving the MDGs by means of a business plan on economic development for the United Nations system. By reorganizing the supply of public goods, one could improve the metrics and budget calculations for policy and technical cooperation programmes in various fields and improve the impact of United Nations contributions.

28. The proposed plan would also facilitate the exchange of information on programmes among agencies and enhance interaction with the World Bank and IMF and the role of the United Nations in the formulation of PRSPs. It might well become a business plan for the attainment of the MDGs.

29. The MDG project was currently off track. If one excluded Asia, and China in particular, the number of people living on under US$ 1 per day had actually increased during the previous decade. Only sustained growth provided lasting success in the fight against abject poverty. Perhaps for the first time, the means, knowledge and technology existed for helping low-income countries increase productivity and reach a "virtuous circle" that would enable them to improve living conditions for their peoples. Aid flows must be increased and the supply of the relevant public goods strengthened to stimulate private-sector-led economic growth. UNIDO could help improve PRSPs; more room

must be ma for policies related to trade capacity-building and private sector development to help reduce poverty through the upgrading of productive capacities, and improve chances of achieving the MDGs.

30. **Ms. HIROSE** (Managing Director, Programme Coordination and Field Operations Division) called the Board's attention to document IDB.28/CRP.7, which provided an overview of decentralization actions taken, as well as the proposed field structure model and cost estimates.

31. Further work was needed to increase technical cooperation delivery and to reshape UNIDO's programme portfolio, taking into account the fact that the United Nations system called for enhanced coordination and coherence of country-level programmes. UNIDO programmes needed to be further aligned with Poverty Reduction Strategy Papers (PRSPs), common country assessments (CCAs) and United Nations Development Assistance Frameworks (UNDAFs) so as to contribute to the achievement of the Millennium Development Goals (MDGs). That, in turn, called for an enhanced UNIDO field presence.

32. Pursuant to General Conference resolution GC.10/Res.10, discussions on a strategic alliance at the field level had been initiated with UNDP. The informal advisory group on decentralization, chaired by the Permanent Representatives of China and Germany and established in order to seek Member States' advice on such an alliance, had already met three times. The Secretariat had also held five meetings with regional groups in April.

33. The main idea that had emerged during those discussions had been that the Secretariat should pursue a new partnership with UNDP in field operations, but not at any cost. The partnership must meet the following conditions: UNIDO should retain some of its field offices and its own identity, and the resulting field structure should enable the Organization to perform more effectively and efficiently. At the same time, the cost to UNIDO must remain within its programme and budgets for 2004-2005, and the cost of operating UNIDO desks should be shared by the two organizations in a spirit of partnership.

34. Such a partnership could double UNIDO's field presence with a limited investment through the transformation of some UNIDO field offices into UNIDO desks in UNDP offices, and with the conclusion of an agreement with UNDP in order to offset some transitional costs. UNIDO could increase its participation in country-level programme coordination and its contribution to the CCA/UNDAF and PRSP process and, ultimately, to the attainment of the MDGs.

35. Based on consultations with Member States in the informal advisory group on decentralization, the proposal was to establish UNIDO desks in UNDP offices. It would involve some eight or ten UNIDO Regional Technical Centres, each staffed with one Director, one P-5, one P-4, four National Programme Officers and four General Service staff, to be combined with 60-70 UNIDO desks, each staffed by one national programme officer. Possible ways of keeping down the costs were set out in document IDB.28/CRP.7.

36. Those issues, together with increased synergy with UNDP, would be further discussed with that body. The Secretariat would continue to further elaborate the initiative, on the understanding that its aim was to improve the UNIDO technical cooperation portfolio and ensure more effective and efficient operation. To that end, for which continued advice and support from Members States were vital, UNIDO would continue the consultation process through the informal advisory group on decentralization.

37. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) said that his Division had felt it necessary, at the outset, to draw up its own business plan based on the 1997 Business Plan on the Role and Functions of UNIDO. The plan must be detailed and comprehensive, covering programme development, technical cooperation and global forum activities, and must take into account, inter alia, the need to focus activities on the fulfilment by developing countries of the Millennium Development Goals and the importance of matching human and financial resources in order to enhance productivity. To improve quality, the involvement of line managers, directors and staff in business planning had been pursued. Following the introduction of the business plan in 2003 an increase of 10 per cent in technical cooperation delivery had been achieved. The Organization understood the importance of staff involvement and of recognition of their contribution to management.

38. The Organization was likely to achieve the same levels for 2004 as for 2003, but his Division was aiming to achieve more. Monthly monitoring of the progress of the biennium had raised questions as to why more activities had been implemented during the second year than during the first, and the reasons were being studied.

39. Four thematic areas for the MDGs had been established with a view to providing a focus for the Division's activities. The first of these was poverty reduction through productive activities; in that context, the small and medium enterprise (SME) cluster development programme was of key importance in efforts to generate wealth.

40. In recognition of the importance of strengthening links between the United Nations, ILO and other organizations, numerous discussions were in progress to ensure that there was synergism and support between those organizations.

41. Rural entrepreneurship and entrepreneurship among women and youth had been addressed, as well as the inflow of funds into countries. Surveys had been conducted in African countries to examine the factors considered by foreign investors when investing in a particular area. UNIDO's links with the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD) were crucial to community-based agro-related manufacturing activities.

42. The second thematic area was the advancement of human security in post-crisis situations, with programme development completed in Afghanistan, Rwanda and Sierra Leone and in progress in Côte d' Ivoire, Timor-Leste, the Democratic Republic of the Congo and Liberia. In addition, a comprehensive programme on community-building for food security and poverty alleviation had been launched in the Sudan.

43. The third thematic area was trade capacity-building, which was vital to wealth creation at individual, company and programme levels. One of the key events of the 2003 WTO Summit in Cancun, Mexico, had been the signing of the WTO-UNIDO Memorandum of Understanding. Implementation of the Memorandum had led to a number of activities and achievements, including: seminars in Cambodia, Cuba and Bolivia; the provision of European Union funding for the development of a Bangladesh quality support programme to ensure that products from developing countries met the requirements of the world market in terms of quality and standardization; and exploration of ways to improve the cotton chain in African countries. A Workshop had been held in Berlin to examine the possibility of adding value to cotton, allowing exporters of raw cotton to obtain a higher price for products such as textiles or garments rather than exporting lint.

44. Preparations were also under way for participation in the eleventh session of the United Nations Conference on Trade and Development (UNCTAD XI), and productivity programmes had been established in Central and Eastern European countries.

45. Under the fourth thematic area of energy and the environment, the completed UNIDO project on climate change in Nigeria had examined the potential economic benefits for Nigerian industry that could be attained through clean development mechanisms and other activities.

46. Support had been received from collateral institutions for the Montreal Protocol, and work by staff had led to the development of a US$ 130 million triennial business plan which had been approved and was in the process of implementation.

47. Under the persistent organic pollutants programme, UNIDO enjoyed the advantage of having direct access to Global Environment Facility funding. National implementation plans totalling approximately US$ 19.4 million had been approved in 38 countries.

48. Further cooperation on energy and the environment included the involvement of IFAD in a programme concerning land degradation in Morocco. Approval had been secured for a programme on international waters, more specifically the Guinea Current, the Gulf of Mexico and the Humboldt Current, and joint initiatives had been launched with the involvement of the Investment and Technology Promotion Office of the United Kingdom and National Cleaner Production Centres in Cuba and the Russian Federation.

49. A clean energy project for small island developing States in the Caribbean had been completed, and a major programme on mini-hydros and biomass gasification was being developed. Most countries faced energy problems and were unlikely to have sufficient resources to construct large dams. Mini-hydros were an extremely useful and versatile solution, particularly in assisting rural development programmes.

50. The International Centre on Hydrogen Energy Technologies project in Turkey had been launched and was making good progress.

51. One of the key activities undertaken by UNIDO in the previous twelve months had been the Global Biotechnology Forum, held in March 2004 in Chile, which had recognized biotechnology as a vehicle both for poverty eradication and for sustainable development. UNIDO had a mandate to consider the potential of biotechnology for increasing food availability and renewable materials, improving human health and enhancing protection of the environment. Biotechnology's potential benefits were failing to reach developing countries. Estimates for the industrial biotechnology market showed that the largest market was for products concerned with the environment, but products such as industrial enzymes, detergents, starch and textiles could contribute greatly towards activities aimed at poverty eradication.

52. It was important to exploit the potential of biodiversity in tropical countries. The tropical herb kava (*Piper methysticum*) provided an important example of the successful commercialization of a biotechnology product. Extracts of the plant could be used as a mild

sedative or harmless antidepressant, had calming effects, eased muscle tension, and most importantly were non-addictive. The economics of kava production showed that the benefits of producing kava as a dietary supplement and drug were failing to reach the producers in countries whose national heritage was biodiversity. Only a minute proportion of the income earned was going to the growers.

53. The Global Biotechnology Forum had been conceived with the aim of ensuring that biotechnology potential was fully exploited and that solutions were found to overcome challenges and restraints. Prior to the Forum, regional preparatory meetings had been held in Africa, Latin America, Europe, and Asia and the Pacific. The Forum itself, from 2 to 5 March 2004, had been well attended, with some 1,290 participants. Unfortunately, however, there had been few participants from Africa and Asia. The Forum had been organized into three sections: ministerial discussion panels; plenary sessions, including keynote lectures on various aspects of biotechnology; and working groups focusing on the in-depth treatment of the various issues. The final statement of the Forum had focused on four key areas: the creation of an information network and databases; the formation of a multi-stakeholder forum to ensure that biotechnology-related issues were discussed; the mobilization of resources for capacity-building; and the facilitation of mechanisms for accessing intellectual property.

54. Post-Forum mechanisms examined ways of implementing the recommendations and mobilizing resources for that purpose, as well as coordinating inter-agency activities. UNIDO follow-up activities would be fully focused on UNIDO programme areas.

55. Potential biotechnology applications included biomass utilization for energy programmes, such as the production of bioethanol for use as a fuel; biocatalysts and bioremediation could be used to ensure cleaner production and the removal of pollutant gaseous or solid materials from the environment. Biological diversity and biosafety were subjects of international conventions. Given that scientific processes held uncertainties, it was important that biotechnology management should take account of possible biosafety-related risks and ways of mitigating them.

56. Biotechnology was a highly strategic area of activity, and called for innovative approaches. Support was vital to ensure that biotechnology provided a useful tool in poverty alleviation.

STATEMENTS BY MINISTERS

57. **Mr. KYEREMATEN** (Minister of Trade, Industry and President's Special Initiatives of Ghana) noted with satisfaction that steady progress had been made on the implementation of the integrated programme for Ghana, to which his Government remained firmly committed, as had been reflected by the addition of the President's Special Initiatives to the portfolio of the Ministry of Trade and Industry. The Initiatives were new strategic interventions facilitated by the Government but implemented by the private sector in order to create employment and reduce poverty, particularly among the rural population, through the large-scale production of strategic products such as oil palm, textiles and garments, cassava, starch, sorghum, groundnuts and salt.

58. The Ministry's vision of capacity-building, with particular emphasis on increasing the competitiveness of SMEs, was linked to the United Nations Millennium Development Goals, the key parameters of which were poverty reduction, environmental sustainability, global partnership for development and gender equality.

59. The Government of Ghana was fully aware that, to achieve sustainable poverty reduction, prudent fiscal and monetary policies must be pursued vigorously. Since the Government had taken office, the pursuit of strong macroeconomic policies and good governance firmly based on the rule of law had been the driving force behind the economic, social and political successes achieved. In addition, much support and encouragement had been given to the private sector to promote industrial production through the application of science and technology, sound and sustainable management of the environment and export promotion based on diversification and competitive advantage. Unfortunately, stiff and at times unfair competition from the global market presented developing countries such as Ghana with a critical challenge.

60. The Government of Ghana noted with satisfaction that in 2003 UNIDO and the World Trade Organization had signed a memorandum of understanding on technical cooperation, and urged the Director-General to continue to strengthen links between the two organizations with a view to enhancing economic growth as well as assisting the integration of developing countries into the global economy.

61. There was no doubt that, since UNIDO had embarked on its reforms, financial contributions had increased, thus reflecting the renewed confidence of the international community in the Organization, which had also been strengthened by the accession of new Member States. In the light of those positive developments, the Ghanaian delegation urged UNIDO to strive to win back the support of countries such as the United States of America, Canada, Australia and others which had withdrawn from the Organization.

62. His delegation wished to stress the need for an effective contribution to the New Partnership for Africa's Development. The international community was urged to channel its support for Africa's industrialization efforts through the NEPAD framework.

63. It was hoped that cooperation between UNIDO and Ghana, the positive results of which had included the organization of a successful investment forum in Ghana in 2003, would be sustained in order to promote faster growth, particularly in terms of productivity enhancement.

64. While appreciating UNIDO's efforts, his delegation called upon the Organization to support Ghana in the establishment of an integrated metal and machine-tool centre to promote accelerated economic development through the manufacture of capital goods. In addition, UNIDO's assistance was sought in developing decentralized power generation using renewable energy systems in rural communities.

65. Ghana was ceaselessly endeavouring, with other West African States, to promote peace in the subregion, a crucial prerequisite for economic, social and cultural development. The unanimous re-election in 2003 of the President of Ghana, John Agyekum Kufuor, as the Chairman of the Economic Community of West African States (ECOWAS), reflected recognition of good statesmanship and strong leadership. The Ghanaian President would continue to take all possible steps to ensure that peace prevailed in the ECOWAS subregion. Meanwhile, Ghana hoped that UNIDO would lend both technical and financial assistance to those countries of the subregion whose economies had been affected negatively by the influx of refugees fleeing from conflicts, as well as those countries which were contributing material and human resources to the maintenance of peace in the subregion.

66. His delegation wished to reaffirm its strong commitment to the ideals and principles underlying UNIDO's support for the developing world.

67. **Mr. VELASQUEZ** (Minister of Production of Peru) said that the Government of Chile was to be congratulated on the success of the recently held Global Technology Forum. Peru hoped to be able to cooperate with UNIDO on that important issue.

68. While the Organization currently enjoyed a position of stability and international prestige, due in great measure to the leadership of the Director-General, much still remained to be done. Initiatives being pursued in areas such as technology foresight, promotion of investment and of technological development, trade facilitation and biotechnology were examples of how UNIDO was imaginatively renewing its mandate in the new international context.

69. Peru had the honour of co-chairing, with the United Kingdom, the informal consultative group established to assist the Director-General in implementing the initiative on trade and market access facilitation. His Government supported the work of the informal consultative groups and believed that their advisory role should be continued as a means of enabling Member States to participate actively in the examination of topics of importance to the Organization.

70. His country's industrial and manufacturing policy was based on the principles of competitiveness, technological innovation, environmental management, private investment promotion and regional decentralization, which were necessary tools for ensuring sustained growth in an export-oriented economy, achieving improved living standards and helping to reduce poverty. The policies established under a national guideline agreement concluded in 2002 between the Government, six political parties and seven civil society organizations had included an undertaking to increase competitiveness with a view to Peru's successful integration in the global economy. UNIDO was contributing to the implementation of those policies through the execution of technical cooperation projects, including assistance in the conduct of a manufacturing and tourism census, which had enabled information on the industrial sector to be updated, and the setting up of technology innovation centres with the support of the Spanish Government. Those centres had contributed to increased value added and improved quality of jewellery, ceramics and alpaca fibre production, with assistance from the Government of Italy.

71. Peru was entering into negotiations with a view to concluding a free-trade agreement with the United States of America and to strengthening relations with the countries of the Common Market of the Southern Cone (MERCOSUR), the Free Trade Area of the Americas and the European Union. UNIDO could make a valuable contribution in support of those endeavours.

72. At the regional level, Peru had been entrusted with the lead role in the UNIDO foresight study on the productive chain of the fisheries industry in the region of the South American Pacific coast, which was being undertaken with the participation of Chile, Colombia and Ecuador and which had made significant progress. Peru had offered to host the regional conference for that programme, to be held in September. Peru was also collaborating with Chile on the UNIDO-supported project concerning integrated management of the Humboldt Current Large Marine Ecosystem.

73. His Government supported the Colombian Government's offer to host the next session of the General Conference, in December 2005, at Cartagena de Indias.

74. Peru had to address the challenges of the new international context. With UNIDO's continued support, it hoped to achieve its main objectives of strengthening the economy and alleviating poverty through wealth creation and employment generation, promoting private investment and integrating national production into the global economy.

75. **Mr. OSMAN** (Minister of Industry of the Sudan) said that the Sudan was currently witnessing positive changes as a result of the Government's new policies aimed at reforming its economy. Rates of growth of between 7 and 8 per cent had been achieved in recent years, inflation had fallen from 165 per cent in the early 1990s to around 8 per cent in 2003, the national currency had become stable and many investors had been attracted, particularly in the industrial sector. Major transformations had taken place in that sector, with the establishment of many new factories and the rehabilitation of existing ones, leading to an annual growth rate of 10 per cent for the sector in 2003. In its efforts to achieve economic development, the Sudan attached increasing importance to the industrial sector and to its cooperation with UNIDO.

76. The Sudan commended the Organization's initiatives for mobilizing resources to finance the integrated country programmes. His Government was endeavouring to implement its programme within a framework of sustainable development. It cooperated with the UNIDO Representative in Khartoum, whose efforts it greatly appreciated. It was grateful to those responsible for revising the country strategy paper on the Sudan to make it acceptable to the Government and to a large number of donors. For its part, the Sudan undertook to pay its assessed contributions to the budget. It had provided new premises for UNIDO's office in Khartoum. It would furnish the local component for the programme's execution, amounting to US$ 1 million. It was also willing to organize a donors' conference.

77. His Government again thanked the Japanese Government for its allocation of US$ 1.2 million for the Nuba Mountains project, whose implementation had now begun, with monitoring by UNIDO. It was also grateful for the agreement of UNDP to earmark US$ 1 million for implementing the first phase of a small-scale agribusiness project. That was one of the important projects being undertaken by UNIDO in cooperation with FAO, which would help to alleviate poverty in rural areas and provide adequate living standards for displaced persons. The field work for an industrial survey in the Sudan, with government funding of 600 million dinars, had been completed and the data were currently being processed with a view to finalizing the report in cooperation with UNIDO and the Sudan Centre for Statistics. As a result of that work a data bank would be established, thereby facilitating planning and enabling sectoral studies to be undertaken. A project for reducing mercury pollution in mining regions was also being implemented. The Sudan was grateful to UNIDO for its assistance in the formulation of plans and programmes for the areas affected by the war and to those donors who had expressed willingness to take part in the donors' conference with a view to providing the necessary funding.

78. The Sudan welcomed the Organization's emphasis on technical cooperation programmes for low-income countries and LDCs, especially in Africa. It was gratifying to note that 70 per cent of the funds allocated were for Africa and that US$ 100 million had already been provided for the continent. The Sudan was confident that UNIDO would make every effort to increase the levels of funding.

79. His Government appreciated UNIDO's support for the efforts of Africa's Ministers of Industry to achieve sustainable industrial development and commended the decision taken to establish the African Productive Capacity Facility. He urged all Member States and donors to continue their support.

ORGANIZATION OF WORK

80. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

81. *It was so decided.*

The meeting rose at 12.30 p.m.

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United Nations Industrial Development Organization

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Industrial Developrnent Board

Twenty-eighth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 25 May 2004, at 3 p.m.

President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 3.15 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said the Bureau had recommended that the Board should continue the practice of holding informal consultations on draft decisions, so that a consensus could be reached on them before they were submitted to the plenary. The Bureau had further recommended that Mr. Stelzer (Austria) should chair the informal consultations.

2. *It was so decided.*

STATEMENT BY THE MINISTER FOR TRADE AND INDUSTRY OF SIERRA LEONE

3. **Ms. SESAY** (Minister for Trade and Industry of Sierra Leone) said that, at a previous session of the Board, she had mentioned the importance her country attached to the work of UNIDO in developing countries and had emphasized the need for UNIDO to initiate special programmes for post-conflict countries such as Sierra Leone. It was pleasing to note that the Organization was now focusing on that issue. Sierra Leone's integrated programme had been approved by one of the new approval committees established by the Director-General and it was to be hoped that implementation of the programme would smooth the country's transition from a post-conflict phase to a development phase.

4. Sierra Leone, as a country emerging from an 11-year war that had left a trail of devastation and suffering, regarded the Organization's assistance in employment creation activities as crucial to the alleviation of poverty and the improvement of living standards, especially for the country's disaffected young people, many of whom had participated in the war. In the two years since the end of hostilities, post-conflict development programmes had seen the country achieve macro-economic stability with single-digit inflation figures and a stable exchange rate for the national currency. A successful post-conflict reintegration programme for ex-combatants and internally and externally displaced persons had helped to consolidate peace. The first local government elections for over 30 years had just been held that week and had passed without violent incident. Sierra Leone's fledgling democracy was being strengthened by people's determination to ensure that changes of government were effected through democratic elections and not through military coups or civil wars.

5. Poverty Reduction Strategy Papers (PRSPs) were a welcome initiative and should be relevant to the industrial development of the least developed countries (LDCs). Industrial development should be mainstreamed in Sierra Leone's development agenda. The country had drawn up its interim PRSP after the cessation of hostilities two years previously and the final version was currently being completed. She requested the Organization's support in ensuring that industrial and trade programmes were mainstreamed in the PRSP and emphasized the need for UNIDO to be involved in the PRSP process from the preparatory stages onward and not merely at the implementation stage. It was equally important for UNIDO to intervene early in post-conflict countries so as to identify specific industrial needs and incorporate them in the overall needs assessment report for the country.

6. The UNIDO integrated programme for Sierra Leone was critical for meeting some of the country's industrial development needs. She therefore appealed to the country's development partners, which had been tremendously supportive during the years of conflict, to provide funding for the programme activities so as to ensure that the conflict ended permanently and that the country did not revert to violence. The Government would be working with UNIDO to raise funds. She hoped that the Organization's seed money for the programme would be fairly substantial so that some activities could begin immediately. She also looked forward to the assistance of a number of countries, including Japan, France, Germany and Canada, and of the United Kingdom Department for International Development, the World Bank, the African Development Bank and other bilateral and multilateral partners which had consistently supported Sierra Leone.

7. Industrial development and the provision of a livelihood for ex-combatants and war victims, in particular, would ensure that there was no reversion to conflict. The Director-General had been unstinting in his support for Sierra Leone and she wished to thank him personally. She also thanked the Secretariat staff, who had worked closely with the Government, particularly on the development of the integrated programme. Sierra Leone pledged to maintain its support for the Organization and to continue to pay its dues in spite of its meagre resources.

STATEMENTS BY REPRESENTATIVES OF THE SECRETARIAT

8. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that he would provide some information on post-crisis industrial rehabilitation and reconstruction as part of the follow-up to General Conference resolution GC.10/Res.6. The aim of activities in that area was to contribute to the achievement of the Millennium Development Goals with stronger emphasis on human security through the formulation and implementation of programmes in countries emerging from crisis situations and to incorporate a human-centred perspective as an integral part of UNIDO post-crisis interventions.

9. Natural disasters and conflicts caused social and economic dislocation. The resulting poverty and disintegration of the social fibre undermined efforts to achieve the Millennium Development Goals and human security goals. Crisis situations called for humanitarian assistance that was followed by rehabilitation and reconstruction as a means to mitigate and eventually overcome adverse impacts. Affected countries were clearly unable to take such action on their own and therefore required substantial support from the international community. UNIDO could play a significant role in their rehabilitation and reconstruction and contribute to their long-term development.

10. In that context, the Organization's future assistance would be guided by the general principle of human security; in other words, protecting people from pervasive threats to their lives, livelihoods and dignity and contributing to minimum standards of living. More specifically, it would be based on the principles of sound diagnosis and tailor-made response: a clear identification of demand for industrial recovery and formulation of an appropriate mix of services. The Organization would use its specialized expertise to formulate and implement assistance focusing on the provision of hands-on knowledge, skills and information required by specific groups of affected populations. Macroeconomic advisory services could also be provided by assisting the public and private sectors.

11. UNIDO assistance in crisis situations would consist of four "pillars". The first consisted in deciding "what to do" and would include rehabilitating key industrial sectors, promoting income-generating activities, supporting institutional capacity-building and restoring basic infrastructure. The second involved deciding "with whom" to work—for example, other United Nations agencies and international and non-governmental organizations. The third pillar covered "how" to carry out the various activities: using stronger operational mechanisms for consolidated and timely service delivery. The fourth pillar was "when" to intervene: UNIDO should be involved in fact-finding and in carrying out a needs assessment exercise before the end of the first phase of a crisis situation.

12. UNIDO was currently present in 20 countries emerging from crisis situations, where its interventions ranged from fact-finding to implementation activities. In 11 of those countries, where earlier interventions had taken place, the Organization's services had been provided chiefly within the framework of integrated programmes and had ranged from strengthening the Government's capacity to implement reconstruction policy to providing shelter and skill opportunities to returning refugees.

13. For the biennium 2004-2005, UNIDO would focus mainly on post-crisis activities with stand-alone and thematic projects. Countries would be selected for intervention if they met the following criteria: a short period of time had elapsed since the end of the crisis in the country in question; international attention was focused on the country in the form of peace agreements, consolidated United Nations appeals, donor conferences and other global forums; it was possible to apply more effective modalities of implementation adjusted to specific cases; and there were strong prospects for the mobilization of external financial support. On the basis of those criteria, the following countries had been selected for activities in 2004-2005: Afghanistan, Angola, the Democratic Republic of the Congo, the Islamic Republic of Iran (Bam region), Iraq, Liberia, Sierra Leone, the Sudan and Timor-Leste.

14. Since the Organization was already involved in those countries, its intervention in most cases was currently focused on the formulation phase. However, in Liberia, a fact-finding mission would take place during the third quarter of 2004, while in Afghanistan, Angola and the Sudan, one activity in each country was already at the implementation stage. Most of the planned field activities would start in the second half of the year 2004. However, in some cases they would be delayed: for example, in Iraq the prevailing security situation did not allow the resumption of United Nations field activities in the near future.

15. The overall funding requirement for the nine countries selected was almost US$ 148 million, whereas the total amount of pledged and secured funds was just under US$ 16 million. The level of funding required in Iraq considerably distorted the overall picture. Iraq was a unique case that had attracted wide international attention, with the result that substantial resources had been pledged at the Madrid donors' conference in October 2003 and a strong United Nations coordination structure had been established in Jordan. Excluding Iraq, the funding requirement was almost US$ 22 million, of which about US$ 5.5 million had so far been pledged and secured. A number of countries had pledged funds or shown interest in financing programmes. Various trust funds, including the Trust Fund for Human Security, also played an important role.

16. During the round table on post-crisis industrial rehabilitation and reconstruction at the tenth session of the General Conference, there had been a general consensus that post-crisis operations could not and should not be undertaken alone. Any action taken by UNIDO should be the result of donor community consultations and inter-agency discussions with a view to obtaining logistical support and collaboration in substantive programming and implementation activities.

17. The UNIDO core competencies represented the lion's share of the services to be provided to the nine selected countries. Among those core competencies,

there was a particular focus on the service modules relating to private sector development and agro-industries. Of the four services included in the service module on private sector development, rural and women entrepreneurship development would be one of the major contributors to a sound recovery in almost all the selected countries. Under the service module on agro-industries, agro-machinery and food processing would be the engine of sustainable recovery in most cases.

18. The demand-driven exercises carried out in the selected countries had clearly identified the kind of services required for social and economic recovery. In particular, services in agro-industries and private sector development reflected the Organization's core competencies and he therefore reiterated the Director-General's request for increased funding for activities in that area, since the core competencies currently accounted for only about 32 per cent of the total technical cooperation portfolio. The Organization's rehabilitation work would be less costly and more effective if it worked in partnership with other agencies. A stronger and more integrated response from UNIDO would surely help to attain human security goals at the international level.

19. **Mr. AJMAL** (Comptroller General) said that the Office of the Comptroller General, which had been established almost a year previously, consisted of the immediate Office of the Comptroller General itself, the Internal Oversight Group, the Evaluation Group and the Information and Communication Management Unit. Information on the Office's mandate had been published in various Director-General's Bulletins, as had the Charter of the Internal Oversight Group, which had addressed a number of issues raised by the External Auditor. In addition, a Charter of the Office of the Comptroller General would shortly be issued. The Office would provide a detailed report at the beginning of 2005 on its activities and outputs during 2004.

20. In accordance with its mandate, the Office was conducting proactive assessments, reviews and monitoring activities with a view to advising on how to put the Organization's resources to best use, and was also taking action to ensure the effectiveness of internal controls and accountability mechanisms both at Headquarters and in the field. The Office's activities and outputs fell into four main areas, the first of which was improved programming, processes, guidelines and controls. In that context, the Office had recently issued a comprehensive management control framework for the management of programmes and projects and terms of reference for the newly established project approval committees. The purpose of the management control framework was to ensure compliance with the medium-term programme framework, the Organization's corporate strategy and the programme and budgets; ensure that UNIDO activities were consistent with the United Nations Development Assistance Framework (UNDAF) and PRSPs; strengthen the programme and project screening process; provide clear results indicators; and increase delegation of authority and accountability. As recommended by the External Auditor, data security had been improved through a new off-site data back-up facility. UNIDO was the first Vienna-based organization to set up such a facility.

21. Under the second main area—improved reporting and greater transparency—the Office had introduced various management reports, thus providing strategic information and advice on decision-making to all stakeholders. In cooperation with the Division of Administration, it had successfully upgraded the Financial Performance Control System, making it possible for the first time to manage technical cooperation activities both in United States dollars and in euros. Development of that facility would also allow field offices to have online access to the system, which would greatly facilitate their tasks. Work on the introduction of a fully automated human resources and payroll system was also continuing. The Permanent Missions Extranet Infobase was upgraded on an ongoing basis and provided a wide range of information. All Permanent Missions were encouraged to use it. An online system of information on programmable resources had also been introduced, which would help to improve the planning and implementation of programmes and projects and enhance transparency with regard to the use of the Organization's resources.

22. Under the third major area of activity—advice on administrative and programmatic issues—the Office had conducted a review of contracts issued under the 200 series ("L contracts") and the 300 series (appointments of limited duration) of the Staff Rules and had recommended that they should be discontinued at Headquarters in the interests of a competitive and transparent recruitment process. The Director-General had accepted that recommendation and the External Auditor had made a positive assessment of its implementation. The Office had also carried out an assessment of UNIDO field representation and had distributed a report to Member States in March 2004, which had been used extensively in the meetings of the informal advisory group on decentralization. The Office had carried out 12 audits and reviews to assess compliance with regulations, rules and administrative instructions; that work had been shared with the External Auditor. Eight in-depth evaluations of integrated programmes and other activities had been carried out since June 2003 and 73 per cent of the ensuing recommendations had been implemented. Considerable work had been done, and was continuing, on the development of the results-based management system. Technical cooperation indicators were also being developed and linked with country-level coordination

mechanisms, such as the UNDAF common country assessments.

23. Under the fourth major area—greater interaction and partnership with external entities—the Office had coordinated its activities with the External Auditor to ensure the widest possible coverage and to avoid duplication of work. In addition to conducting financial audits, the External Auditor had reviewed many other areas, including issues relating to the Internal Oversight Group, and his draft report for the biennium 2002-2003 stated that the Organization's financial records were reliable and well maintained and that adequate internal controls had been implemented. UNIDO had contributed to the recent preliminary review of the statute and working methods of the Joint Inspection Unit (JIU)and had noted with satisfaction that several of its recommendations had been included in the report on the review submitted to the United Nations General Assembly for consideration. The United Kingdom Department for International Development (DFID) was conducting an assessment of the effectiveness of 26 organizations, including UNIDO, with which it had institutional partnerships. The assessment was due to be completed by June 2004 and the Office looked forward to disseminating the results, subject to the disclosure policy of DFID.

24. Turning to the financial performance of the Organization, he said that, thanks to a higher rate of collection of assessed contributions, the implementation rate of the regular budget in 2002-2003 had been 92.9 per cent, an improvement on the rate of 91.5 per cent in the previous biennium. Prudent management had enabled the Organization to achieve that implementation rate while maintaining its financial integrity. However, further improvements were contingent on the timely receipt of assessed contributions from Member States. In addition, favourable exchange rate movements during the biennium had made it possible to transfer about 1.8 million euros to the special account for regular budget exchange rate fluctuations, which had had a zero balance at the beginning of the biennium.

25. The Organization had been obliged to maintain a high vacancy rate during 2002-2003, owing to factors beyond its control. The General Conference, in decision GC.10/Dec.17, had approved the programme and budgets for the current biennium but had reduced the required amount by some 2.3 million euros, a reduction which was to be achieved through savings. In the light of that decision and the fact that, if past experience was repeated, 7-8 per cent of assessed contributions would not be received, the budget of 73.4 million euros for 2004 would be reduced to 67.2 million euros, or 91 per cent of the approved figure. Furthermore, if the amount required for the Regular Programme for Technical Cooperation, Special Resources for Africa and operating costs were deducted, the budget would be reduced by a further 27.3 million euros, leaving 39.9 million euros for staff costs, or 90 per cent of the amount originally approved for that purpose.

26. Since the approval of the programme and budgets for 2004-2005, the Secretariat had been taking action to recruit the required staff, as the high vacancy rate in the previous biennium had been unsustainable. The vacancy rate for 2004 was expected to be about 10 per cent in the Professional category. Although that rate was considerably higher than the mandatory rate of 5 per cent, it could not be reduced any further because of the budget situation; indeed, in order to maintain the 10 per cent rate, the Secretariat would have to reduce expenditure in areas other than staff costs. However, any such reduction would not affect the Regular Programme for Technical Cooperation or Special Resources for Africa. In addition, during the current biennium, the Organization would also have to consider ways of meeting its obligations under the headquarters minimum operating security standards, which would cost UNIDO some US$ 2.2 million. That amount was not covered in the budget.

27. As at 21 May 2004, the Organization had had a cash balance of 37.1 million euros available under the regular budget and 7.3 million euros in the Working Capital Fund. It therefore had a good cash base to meet its obligations. Under the operational budget, there had been a surplus of US$ 1.4 million in 2000-2001, which had resulted in an operating reserve of US$ 3.0 million or 3.3 million euros as at 31 December 2001.

28. During the biennium 2002-2003, UNIDO had also had a surplus of US$ 1.3 million. However, as the euro was the currency of accounting and reporting, the Organization had suffered a shortfall of 200,000 euros. The reason for the loss was that the income of the operational budget was linked to technical cooperation delivery, most of which was accounted for in United States dollars. However, most expenditures under the operational budget, as under the regular budget, were still in euros. Therefore, the strong euro, which had had a positive impact on the regular budget, had contributed to the loss under the operational budget. Given that the loss could not be recovered from the special account for the regular budget and that the operating reserve could not absorb such losses indefinitely, the Secretariat was looking into possible ways of covering such losses in the future. One initiative in that regard was the introduction of project management in euros for those projects which were euro-based.

29. The collection rate of assessed contributions had consistently improved since 1998 and had stood at about 92 per cent for the past three years. A similar collection rate was expected for 2004. The collection rate for every list of States except list C had improved between the bienniums 2000-2001 and 2002-2003. Although the

current level of arrears was stable at about 9 million euros, arrears of 33 million euros from prior years were still outstanding. In addition, former Member States—the United States of America and the former Yugoslavia—owed the Organization some 71 million euros.

30. Following the examples of Azerbaijan, Belarus, Lithuania and Ukraine, Afghanistan had recently signed a payment plan agreement with the Organization in which it undertook to settle its arrears over a period of five years. Those States owed about 12 million euros in total. Other Member States in arrears were encouraged to pay their outstanding contributions, using the payment plan mechanism where appropriate. The informal consultative group on voluntary contributions was also continuing its work in that regard. The number of Member States with no voting rights had fallen from 59 in 2000 to 45 in 2003 but needed to be reduced further. In recent years, the Secretariat had submitted a number of suggestions to the governing bodies concerning incentives and other measures to encourage the timely payment of assessed contributions.

31. As mentioned by the Director-General in his opening statement, technical cooperation delivery in 2003 had increased by 16 per cent compared to 2002, reaching US$ 94.7 million. Forecasts suggested that that figure would be reached or even exceeded in 2004, which would represent a turning point for the Organization, given that delivery was usually lower in the first year of a biennium. The Director-General had also provided information on technical cooperation delivery under international protocols and other core operations. Those core competencies were essential to fight poverty and to help achieve the Millennium Development Goals and would therefore require increased funding from donors.

32. The statistics for technical cooperation delivery by region showed that, in 2003, Africa had accounted for US$ 20.4 million or 21.5 per cent of delivery, an increase of US$ 7 million (52 per cent) on the 2002 figure. However, if activities under the Montreal Protocol—accounting for US$ 35 million in 2003 and focused on regions other than Africa—were excluded, Africa's share of delivery in 2003 had stood at 33 per cent. The largest sources of financing for technical cooperation continued to be the Montreal Protocol and the Industrial Development Fund. The amount received from self-financed trust funds had also increased from US$ 2.4 million in 2002 to US$ 5.3 million in 2003.

33. The Secretariat staff and high-quality external expertise were important resources for UNIDO, and the introduction of the Human Resources Management Framework in 2001 had led to several improvements in that area. For example, considerable progress had been achieved in addressing gender balance. Continuous development of human resources was critical if the Organization was to meet future challenges, and efforts to make further improvements were continuing. In 2003, 2,200 project personnel, including 896 national experts, had been recruited from 124 countries to provide specific technical cooperation services in the field.

34. The Organization continued to be on a strong financial footing and was expanding its technical cooperation activities. It was successfully meeting the demands placed on its services, as well as taking proactive measures to tackle future challenges.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2003 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.28/2 and Add.1)

35. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China, said that the Group commended the Organization's achievements in the past year, as reflected in the *Annual Report 2003* (IDB.28/2), in particular the Organization's continued financial stability and the more focused technical cooperation activities. The modest increase in technical cooperation delivery—which had almost reached the target figure of US$ 95 million in 2003—demonstrated the success of the ongoing reform process in the Organization.

36. She welcomed the reformulation of the service modules but emphasized that they should respond to the needs of the developing countries, particularly in terms of achieving the Millennium Development Goals. She was also pleased to note that a number of UNIDO technical cooperation projects had won awards for excellence from the Third World Chambers Congress, the State Environmental Protection Agency of China and the Egyptian Ministry of Environment, among others.

37. The Group supported the Organization's global forum activities, such as the Global Biotechnology Forum, particularly where they added value to technical cooperation. UNIDO should build on the Forum's success by formulating a programme of follow-up activities that would have concrete benefits for developing countries.

38. The Group was pleased to note that funds mobilization had increased and that resources received from the Industrial Development Fund and trust funds had reached US$ 47.4 million, the highest level since 1993. It particularly welcomed the contributions from the major governmental donors and the fact that the level of contributions from developing countries had been the highest since 1997. The Secretariat should continue its efforts to strengthen funds mobilization in order to speed up the implementation of integrated programmes and country service frameworks.

39. The increase in contributions to UNIDO from various international funds and programmes testified to the Organization's credibility as an agency of excellence for project implementation. However, the Group was concerned that funding from the United Nations Development Programme (UNDP) remained at a low level. Inter-agency cooperation should be enhanced as part of efforts to mobilize funds.

40. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), noted with satisfaction the *Annual Report 2003*. He welcomed UNIDO's efforts to promote clean, sustainable industrial development and to reinforce the many links existing between entrepreneurial capacity, technology, strengthened productivity and growth.

41. The new globalized political, social and economic order, the collective effort to offer people-oriented parameters and the various applications of modern science and technology posed a new challenge to the Organization to make an effective contribution to the implementation of industrial development plans and programmes in furtherance of the Millennium Development Goals.

42. GRULAC would like to see UNIDO's role as a global forum strengthened, as well as follow-up to such activities. The success of the recent Global Biotechnology Forum held in Chile demonstrated the level of excellence acquired by UNIDO. A follow-up programme in the form of specific projects in the developing countries should be drawn up.

43. Despite the tangible progress achieved in technical cooperation in 2003, there were still issues to be resolved. There was a certain imbalance in the level of resources for each region and in the implementation of cooperation programmes. While different levels of development and situations prevailed in the various regions, subregions and countries, technical cooperation was still too limited to respond effectively to the needs of each region and subregion. As a result of recent changes, UNIDO now depended much more on contributions from other agencies, governmental bodies of donor countries and other world programmes for technical cooperation activities than on its own resources. In the interests of efficiency and equity, it was important that priority should be assigned in the ongoing streamlining process to the quest for better balance in regional and subregional technical cooperation activities.

44. The foregoing notwithstanding, the Organization's fund-raising level had been higher than in previous years and the Industrial Development Fund had in 2003 attained the highest level of resources since 1993, with a total of US$ 47.4 million, reflecting greater commitment to the Organization. The year 2003 had witnessed the highest level of developing countries' contributions since 1997, as well as a significant increase in contributions from various international funds and programmes, a sign of the Organization's increased credibility. However, funding from UNDP was declining. His delegation would comment under agenda item 5 (d) ("Decentralization") on the proposed strategic partnership with UNDP.

45. **Mr. MURPHY** (Ireland), speaking on behalf of the European Union and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, welcomed the efforts which had been made throughout 2003 to refine the Organization's activities, as detailed in the *Annual Report 2003*, in particular the fact that the service modules had been reformulated in order to contribute more effectively to achieving those Millennium Development Goals relevant to the Organization's mandate. It was essential for the Organization's objectives and activities to be aligned with national efforts to reduce poverty and achieve the Goals.

46. The European Union attached great importance to the development of a strategic long-term vision statement for UNIDO, as called for in General Conference resolution GC.10/Res.2. Such a vision statement should cover a period of 10 to 15 years and should build on the key existing strategic documents. It should also give a clear picture of the Organization's expected contribution to the achievement of the Millennium Development Goals. It was to be hoped that consultations over the coming two years would enable the statement to be adopted at the next session of the General Conference. Noting that relevant and innovative research was an essential element of the Organization's global forum function, he commended the steps being taken to develop a high-quality research programme. He also expressed support for the efforts being made to increase synergy between the Organization's global forum and technical cooperation activities.

47. It was important for UNIDO to be involved in the broader development debate and he therefore welcomed the Organization's efforts to strengthen cooperation with other agencies and international bodies, which had resulted, for example, in the signing of memorandums of understanding with the World Trade Organization (WTO) and the International Organization for Standardization (ISO). He also welcomed the joint cooperation programme with the United Nations Conference on Trade and Development (UNCTAD), particularly in view of the forthcoming session of the Conference (UNCTAD XI). He looked forward to continued efforts towards the coordinated engagement of the organizations of the United Nations system in developing countries.

48. The European Union continued to provide significant financial support for technical assistance activities in developing countries and countries with economies in transition and was pleased to note that technical cooperation delivery had increased to US$ 94.6 million in 2003. It was particularly pleasing that Africa's share of technical cooperation activities had increased considerably in 2003, and he hoped that both those figures would continue to rise in the coming years. Cooperation between the European Commission and UNIDO would be enhanced by the Financial and Administrative Framework Agreement concluded in 2003. Another positive development was the selection of UNIDO as one of the United Nations candidates for strategic partnerships with the Commission.

49. Welcoming the positive assessment in the report of the first generation of integrated programmes, which had been completed or had neared completion in 2003, he stressed the importance of ongoing monitoring and evaluation. Over the past decade, patterns of funding for technical cooperation had changed, and the Montreal Protocol now represented the major source of funding. The Organization should continue to seek funding from multilateral environmental agreements, in particular the Global Environment Facility (GEF), but should also aim to broaden the donor base beyond multilateral sources. As a general rule, the Secretariat should carry out a realistic assessment of available funding when developing the technical cooperation portfolio, including integrated programmes.

50. The European Union had previously requested that the annual report should contain more detailed information on the Organization's sources of funding, including voluntary contributions from Governments. The 2003 report did not contain sufficient detail in that regard and it was therefore to be hoped that the request would be taken into account in future years.

51. The European Union supported the development at UNIDO of a comprehensive results-based management system and encouraged the Organization to ensure adequate staffing and training in that area. He welcomed the fact that UNIDO was working to establish baselines and set specific targets for future programmatic improvement and that performance against such indicators would be a feature of future annual reports. He also expressed support for the work being done to improve the indicators for the 2004-2005 programme and budgets document and the focus in the *Annual Report 2003* on staff development matters.

52. At the twenty-seventh session of the Board, the European Union had expressed the view that a less descriptive, more future-oriented annual report could better contribute to the promotion of UNIDO as an effective and focused organization. Although efforts had been made in the *Annual Report 2003* to highlight the Organization's aims and objectives, there was still room for improvement. A key factor would be the inclusion of performance indicators as a tool for measuring performance in the year gone by and as a means of setting goals for the coming year. In that context, he welcomed the business plan recently produced by the Programme Development and Technical Cooperation Division, which set out a number of goals for 2004, and recommended that the Secretariat should distribute the document more widely.

53. The European Union looked forward to the publication of the report of the External Auditor for 2002-2003 and to fruitful discussions on the document. It also wished to assure the Board of its continued cooperation with UNIDO.

54. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, welcomed the initiatives taken by UNIDO in 2003 to enhance the development impact of its global forum and technical cooperation activities, particularly in Africa and LDCs. The Group commended the increase in technical cooperation delivery in 2003, which reflected a rise in the voluntary contributions received by UNIDO from its development partners.

55. It was encouraging to note that, in November 2003, the GEF Council had recognized the comparative advantage of UNIDO with regard to industrial persistent organic pollutants by granting the Organization direct access to GEF funds for all types of activity in that area. The Group also welcomed the fact that, by the end of 2003, UNIDO had developed over 900 Montreal Protocol projects in 68 countries, and encouraged the Secretariat to continue its efforts in that regard.

56. Commending the Organization's activities in favour of LDCs, in particular the implementation of the Brussels Programme of Action, he welcomed the fact that low-income countries had accounted for about 70 per cent of the technical cooperation portfolio in 2003, as compared to 48 per cent in 1996. He encouraged UNIDO to focus on the regional dimension in the elaboration and implementation of technical cooperation activities in Africa. He welcomed the Organization's involvement in the implementation of the programme on quality in the countries of the West African Economic and Monetary Union (UEMOA), which was being financed by the European Union, and hoped that the Secretariat would initiate similar programmes in other parts of Africa.

57. The Group requested UNIDO to expand its activities in Africa under the African Productive Capacity Initiative (APCI), which had been the subject of a resolution adopted at the tenth session of the General Conference. Implementation of the resolution would represent an important contribution to the

Conference of African Ministers of Industry (CAMI) and to APCI in particular. Support for APCI would also enhance South-South cooperation in the African subregions. The Group welcomed the cooperation between the Common Market of the Southern Cone (MERCOSUR) and the Economic Community of West African States (ECOWAS), initiated in 2002 under UNIDO auspices, and the plan to enhance cooperation between MERCOSUR and the South African Development Community (SADC) in the framework of the New Partnership for Africa's Development (NEPAD), with UNIDO collaboration. The Group also commended the concept of "triangular" cooperation, particularly in the context of South-South cooperation, and reiterated its support for the Tokyo International Conference on African Development (TICAD) and the participation of UNIDO in its activities.

58. The Group welcomed the Secretariat's efforts to ensure continuous staff development and looked forward to the implementation of the third phase of the Human Resources Management Framework. It also supported the action taken to apply the principle of equitable geographical distribution, particularly at the Professional level, and to ensure gender balance at all levels of the Secretariat.

59. The system of results-based management was an effective means of improving strategy and performance. The Group noted that the Office of the Comptroller General had overall responsibility for the system and urged it to take full advantage of the system's potential benefits.

60. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, expressed satisfaction at UNIDO's strengthened status as an eminent development organization and at the reform process that had led to redefined service modules, financial stability, results-based management and the creation of the Office of the Comptroller-General. While welcoming the 16 per cent increase in overall technical cooperation delivery, the Group was concerned that such delivery to the Asia and Pacific region had fallen by 13 per cent, and urged the Secretariat to redress the geographical imbalance.

61. Regarding the five new projects within the integrated programmes and the Country Service Frameworks (CSFs), the Group advocated the fine-tuning of performance indicators in the interests of more objective evaluation of industrial performance projects. It would also like to see intensified efforts to mobilize the financial resources needed to implement the integrated programmes and CSFs. The Group supported thematic initiatives which enhanced responsiveness to the developing countries' special needs, complemented the integrated programme approach and helped achieve the Millennium Development Goals by improving the industrial capacities of developing countries and countries with economies in transition.

62. The Group noted UNIDO's role as an executing agency for multilateral environmental treaties and the fact that substances with an ozone-depleting potential of 7,000 tons had been phased out in 2003. It commended UNIDO for its help in promoting the role of small and medium enterprises (SMEs) as an engine of poverty reduction and promoting rural and women's entrepreneurship and SME cluster development. It also welcomed UNIDO's status as a core organ of the United Nations Global Compact and hoped that the new corporate strategy, the refined service modules, the new medium-term programme framework and the consolidated research programme would further improve its efficiency.

63. Welcoming the recognition in the corporate strategy that global forum and technical cooperation activities should reinforce each other and the idea that the latter should be clustered around core strengths in technology diffusion and capacity-building for market access and development, the Group also supported the plan to undertake initiatives in information and communication technology and biotechnology. It hoped that UNIDO would collaborate more proactively with the Asian countries.

64. He commended the progress made in gender and geographical balance among staff, but considered that the male:female Professional staff ratio should be improved. Laudable though the new personnel policy of open competition was, the Group would like the Secretariat to consult closely with Member States on policy changes and advise them of vacancies in sufficient time to enable them to nominate suitable candidates. The Organization's evaluation of its programmatic effectiveness was a useful exercise to enable corrective measures to be taken. In that regard, the Office of the Comptroller General should actively help consolidate the reform and programme transformation process in an independent and professional manner. The Secretariat should also endeavour to mobilize funds from sources other than the Montreal Protocol and the Global Environment Facility so that all eight service modules could be adequately used.

65. **Ms. MUSINA** (Ukraine), speaking on behalf of the GUUAM countries Azerbaijan, Georgia, the Republic of Moldova and Ukraine, commended the Secretariat on its efforts to further streamline the Organization's activities to increase its impact and relevance in promoting sustainable industrial development. UNIDO had made progress in focusing on core areas of its competence, in keeping with Member States' wishes, through a country-specific, customized approach to project design and implementation. The recent review of its programme approach in order to

ensure more efficient programme delivery was also commendable.

66. The revised technical cooperation service modules would enable both the Organization and recipient countries to better outline target areas for UNIDO assistance and improve programme efficiency and sustainability. Further resources should be mobilized in order to increase technical cooperation in the areas of industrial competitiveness, agro-industry, SME development, sustainable energy, investment and technology transfer.

67. The GUUAM countries were placing increasing emphasis on industrial recovery in their domestic development agendas, which called for restructured low-capacity enterprises to meet growing global demand for quality and competitiveness. With increasing globalization, it was imperative for technological development to be strengthened at all stages of production in order to facilitate access to global markets with environment-friendly, competitive manufactured products with a high added value. In that respect, sustainable energy, including the development of renewable energy sources, was crucial.

68. With SMEs accounting for a larger share of employment generation and gross domestic product (GDP) in the GUUAM countries, stimulation of rural community involvement in economic development processes—and, hence, poverty reduction—relied on the development of rural entrepreneurship, although the focus should remain on existing cooperation activities within agreed development priorities. The Group welcomed UNIDO's corporate strategy based on productivity enhancement directed towards bringing social progress and ensuring socially oriented economic performance.

69. UNIDO's role in defining and implementing technical cooperation activities that met Member States' requirements and aimed at sustainable industrial development should be further promoted. The close involvement and participation of Member States in decision-making bodies and operating structures was important. Furthermore, coordination of the Organization's activities with those of other stakeholders should be developed and efforts multiplied for the implementation of the global commitments enshrined in the Millennium Development Goals. The Group wished to transform its cooperation into a successful and lasting partnership with UNIDO, which, in the previous year, had made great headway with its modernization and the definition of its targets and objectives.

70. **Mr. FEDOTOV** (Russian Federation) said that UNIDO enjoyed a high profile among the organizations of the United Nations system that were involved in promoting development and improving standards of living through multilateral international cooperation. It was clear from the *Annual Report 2003* that the process of improving the Organization's effectiveness was continuing successfully, as demonstrated by the financial stability achieved, the improved quality of services and the steady growth in technical cooperation delivery over the past three years.

71. The Russian Federation supported the Organization's global forum activities and the continuation of strategic research into the best ways of achieving sustainable industrial development. It also welcomed the development in 2003 of a corporate strategy designed to enhance industrial productivity in developing countries and countries with economies in transition. Of course, the strategy should not become a dogma, and his delegation was confident that the Director-General and the Secretariat would continue to respond in an effective manner to countries' changing needs and to make the necessary adjustments to the services offered.

72. He commended the efforts of the informal consultative group on voluntary contributions and UNIDO membership to stabilize further the Organization's funding and to strengthen cooperation with international financial institutions. The signing of the Financial and Administrative Framework Agreement between UNIDO and the European Commission would facilitate the implementation of large-scale joint projects. Increased cooperation between UNIDO and the private sector—including under the Global Compact initiated by the Secretary-General of the United Nations—should bring additional financial resources, technologies and expertise to the Organization.

73. The major objective of the medium-term programme framework for 2004-2007 should be to target the Organization's activities more effectively and to continue to improve the quality of technical cooperation within the available resources and on the basis of the integrated programmes. In that context, he expressed support for the efforts of the informal consultative group on trade capacity-building to formulate recommendations on international tariffs and technical regulations and standards. He also hoped that the Secretariat would submit a draft of its strategic long-term vision statement by the end of 2004 so that it could be finalized and approved at the eleventh session of the General Conference in 2005.

74. The Russian Federation fully supported the involvement of UNIDO in post-crisis industrial rehabilitation, provided that such activities were conducted in strict conformity with the Organization's mandate and the terms of General Conference resolution GC.10/Res.6 on UNIDO activities in countries

emerging from crisis situations. Moreover, if assistance were provided in such circumstances, it should not be at the expense of cooperation with other countries.

75. The implementation of the Organization's work programme should be fully consistent with the work of other international organizations aimed at achieving the Millennium Development Goals. In that connection, his delegation supported any efforts to strengthen coordination among organizations in the United Nations system, such as the initiative for cooperation between UNIDO and UNDP in the field or, more specifically, the inclusion of UNIDO representatives at UNDP country offices. Such cooperation should lead to financial savings and greater coordination in the implementation of projects, including joint projects. However, UNIDO should at the same time maintain its independence and distinctive identity.

76. Commending the Secretariat for its contribution to the implementation of the programme of cooperation between the Russian Federation and UNIDO for 2003-2005, he expressed the hope that cooperation would continue to develop under that programme. The Russian Federation, which had considerable industrial capacity, was prepared to increase its technological assistance to developing countries, for example under the programme for technological cooperation between the Russian Federation and the countries of Central and Latin America, which was being developed with the help of UNIDO.

77. **Mr. CHO Chang-Beom** (Republic of Korea) said that, after the events of 11 September 2001, the international community had paid increasing attention to the issue of development, seeing it as a precondition for international justice, peace and stability. It was therefore necessary to redouble efforts to strengthen UNIDO's role as an executing agency for the Millennium Development Goals.

78. He commended the Organization on its financial stability, the refinement of its service modules, the continuous application of a results-based management system and the 16 per cent increase in 2003 in technical cooperation delivery to developing countries and those with economies in transition. The new corporate strategy would enhance productivity for social progress by improving synergies between global forum and technical cooperation activities. In that regard, he welcomed the Secretariat's efforts to realign its core service delivery to match the new corporate strategy, with special focus on technology diffusion and capacity-building for market access for 2004-2007. His delegation recommended that the Secretariat maintain a sense of balance and ensure the continuity of existing programmes.

79. The Secretariat's efforts to duly mobilize the necessary financial resources and post suitable experts to the field were the key to the successful implementation of the 51 integrated programmes and CSFs, and the methods for establishing such programmes and frameworks should be further refined through objective and systematic assessment. Given the importance of an integrated approach for addressing recipient countries' needs and interlinking them with donor countries' priorities, his Government had recently contributed to integrated programmes in Africa and Asia and was considering increasing such contributions.

80. He urged the Secretariat to redouble its efforts for the successful implementation of the recently approved integrated programme for the Democratic People's Republic of Korea (DPRK), including cooperation from potential donor countries, and hoped it would lead to other similar programmes in that country. Given the recently improved security environment on the Korean peninsula and the ongoing six-party talks on the DPRK nuclear issue, UNIDO must play a more proactive role in alleviating poverty and building industrial capacity in the region. In the context of its "Peace and Prosperity" policy, his Government was willing to share development experience and expertise gathered over half a century.

81. Concerning the crucial issue of decentralization, his delegation welcomed the Secretariat's timely proposal for expanding its field presence through inter-agency cooperation, and was ready to participate actively in the discussions on the informal advisory group's recommendations. A strategic alliance with a United Nations agency was just one aspect of long-term strategies for enhancing UNIDO's performance, while retaining its identity. Its implementation should be based on the phased approach combined with a systematic, comprehensive assessment of the current field-office system and pilot projects.

82. Despite the Organization's regained financial stability, his delegation was concerned at the fact that half of the financial resources mobilized for technical cooperation came from the funds of the Montreal Protocol and the GEF and urged the Secretariat to diversify fund mobilization so as to ensure a balance in the delivery of UNIDO's eight service modules. He hoped that the newly established Office of the Comptroller General would play a major role in the system of checks and balances designed to ensure an efficient and transparent decision-making process and that the Office's independence and the division of labour with the External Auditor would be maintained.

83. His Government was committed to full support and cooperation for UNIDO's activities, particularly in

view of the increased significance of sustainable industrial development for the developing countries in the age of globalization. It had twice increased its financial contributions to the Seoul Investment and Technology Promotion Office to help bridge the gap between developed and developing countries by facilitating direct foreign investment and technology diffusion. He urged the Secretariat to further explore the possibility of increasing support for the work of that Office.

84. **Mr. KYEREMATEN** (Ghana), commending the Director-General on the comprehensive and informative *Annual Report 2003*, expressed satisfaction that the main focus of UNIDO's activities had been on the developing countries. His delegation had noted with keen interest and satisfaction the implementation of the Organization's reform process and the significant resources generated in respect of programme delivery.

85. UNIDO's decades-long message to the world was more relevant than ever, especially in pointing the way forward for Africa's economic reconstruction. The need to develop and diversify Africa's production base and enhance its productivity level, especially the industrial sector, placed UNIDO at the centre of Africa's development efforts. In that regard, the analysis contained in the report concerning income and non-income poverty Millennium Development Goals was of paramount importance. UNIDO's comparative advantage lay in its contribution to the attainment of the income poverty Goals, for without belittling the value of the non-income-poverty Goals, unless the income level of the majority of people was raised, one could not consider the sustainable provision of potable water, education and health services and the like.

86. His delegation was also pleased to note the identification of trade capacity-building as one of UNIDO's four thematic priorities. It was clear that trade, not aid, should be the engine of growth for the developing countries, since it was trade that would integrate them into global markets. Accordingly, he hoped that the joint cooperation agreement between the World Trade Organization and UNIDO would serve as an effective instrument of trade capacity-building for African countries. The new focus on rural entrepreneurship and SME development was the right approach because it had the greatest potential for bringing most Africans into mainstream economic development.

87. **Mr. MARQUEZ MARIN** (Venezuela) said that his country was engaged in a process of economic restructuring aimed at the construction of a diversified economy, characterized by solidarity and based on an industrial development that guaranteed sustainable development, translating it into social development and a higher quality of life for the population as a whole and a juster relationship between capital and labour in overall industrial production, on the basis of value added to the country's natural and energy resources. The leitmotif of Venezuela's Strategic Plan for 2000-2006 was endogenous development through the vertical and horizontal integration of industrial chains via the development of a fabric of small, medium and micro enterprises, with a view to supplying the domestic, regional and international markets.

88. UNIDO's technical cooperation programme in his country included strategic projects within the framework of the above-mentioned Plan to promote technological innovation, investment and exports and the development of the demand for and production of goods and services. A new technological innovation centre afforded access to databases on technological processes, and a number of technological poles were being created in relatively developed sectors with comparative advantages, permitting the systematic integration of universities and research institutes into the production system. The external service promotion network would link local producers to international markets.

89. Three other ongoing cooperation projects in the south of the country—to promote the processing of wood and foodstuffs and the elimination of mercury pollution in small-scale gold mining—would have a strong social, economic and environmental impact. Also envisaged was participation in two interregional programmes: a South-South, cooperation project, promoted by India, concerning low-cost homes built with materials based on agricultural and industrial waste; and a programme of East-South cooperation between the Russian Federation and Latin America and the Caribbean. In that context, he applauded the Director-General's efforts to make UNIDO an effective instrument for interregional technology transfer.

90. He commended the focus in the *Annual Report 2003* on support for the least developed countries, on the global forum function and on cooperation within the United Nations system; particularly noteworthy was the increase in technical cooperation delivery over the previous year.

91. The orientation of the medium-term programme framework was in line with UNIDO's mandate from Member States. His delegation supported the goals of technology diffusion and industrial capacity-building in developing countries for improved market access, as well as the Organization's effort to provide technical cooperation services for the establishment of specialized support agencies for SMEs and the promotion of South-South cooperation.

92. His delegation supported UNIDO's plans for decentralization and the reinforcement of its field

representation so as better to maximize resources and improve the overall effectiveness of its mission to promote sustainable industrial development in developing countries, increasing their productive capacity through technological innovation and access to markets. Efforts, however, should be directed towards achieving a better balance between the participation of UNIDO and the Member States, with UNIDO serving primarily as a facilitator. The so-called developed countries could usefully support projects for technological innovation and quality control to help overcome the problems impeding market access. UNIDO could formulate regional projects making use of the geopolitical and geo-economic advantages offered by regional focal points and the potential for joint financing by national, regional and multilateral agencies.

93. His delegation shared the Organization's concern to encourage increasingly clean production and greater use of renewable and alternative energy sources and endorsed the importance it assigned to biotechnology and technology foresight. It also supported Colombia's offer to host the next session of the General Conference in Cartagena de Indias.

94. Venezuela had always been attached to liberty and democracy and was now firmly on the path towards the construction of a democratic, participatory and just society through peaceful change. Although it had faced a coup d'état, paralysis of its basic industry, constant disinformation by the media, a number of terrorist acts and, latterly, the penetration of its territory by mercenary terrorist paramilitaries hired by external and internal groups wishing to destabilize its democracy, it had been unswerving in its determination to lay the foundations of a socially and economically balanced society, free of social exclusion and aimed at promoting the happiness of its people. It hoped it could count on UNIDO to support that endeavour.

95. **Mr. ZHANG Yan** (China) said that the *Annual Report 2003* reflected the Organization's expanded development cooperation and global forum activities and improved performance management. He was particularly gratified that the financial situation had stabilized and that the resources devoted to technical cooperation programmes had shown a considerable increase over previous years; the Secretariat's determination to pursue reforms despite various challenges was demonstrated.

96. The Organization's involvement in the United Nations Development Group had contributed to strengthening its role in the implementation of the Millennium Project at country level. He noted with satisfaction the Global Biotechnology Forum held in Chile and the regional meetings held in Kenya, China and Vienna. UNIDO had held a successful international conference on small power plants in China, which had further promoted cooperation with China in energy production. The Organization's strengthened ties with the International Monetary Fund, the European Union and other international organizations had had a positive impact on its work and efficiency.

97. His Government attached great importance to its continued cooperation with UNIDO, which had been highly fruitful in the area of environmental issues, including the Montreal Protocol, and in areas such as the promotion of cooperation in information technology for development and rural energy and agro-industrial production. The Bureau for Promoting Investment and Technology based in Beijing and Shenzhou had been actively mobilizing investment in development projects. It had been helpful in setting up direct investment and technology transfer between China and other developing countries, with UNIDO assistance. China's 2004 "Salon for Investment and Commerce" would be held from 8 to 11 September. All Member States were invited to take an active part, as well as the Secretariat through its Investment and Technology Promotion Office (ITPO) network.

98. Since new challenges, as well as developing countries' needs, were constantly evolving, UNIDO's policies and strategies required constant review to ensure that resources were focused on providing the most useful and realistic services to developing countries. The Organization should seek to assess its own accomplishments and shortcomings and its capacity to provide further services. On the basis of its eight service modules, it should further enhance its efforts to select technical cooperation projects carefully, placing special emphasis on performance management and on meeting developing countries' priority needs, encouraging innovation and strengthening human resources. He also hoped that UNIDO would continue to improve its financial situation.

99. **Mr. MATEK** (Observer for Croatia) expressed his country's support for UNIDO's reinforcement of its key role within the United Nations system in promoting sustainable development and the achievement of the Millennium Development Goals. Implementation of three new technical cooperation projects for Croatia had successfully begun, and a recent visit by the Director-General had given new impetus to his country's cooperation. The first of those projects, concerning the development of the corporate social responsibility concept in Croatia, would enable the country to further develop a competitive export-oriented SME sector and help its companies meet a number of European Union standards with a view to its prospective membership of the Union. The Director-General would shortly be presenting the project so that interested countries could be aware of ongoing UNIDO-Croatian activities.

100. Croatia was organizing a regional forum later that year for the exchange of knowledge and experience with other countries of the region. The 2003 Financial and Administrative Framework Agreement between the European Union and UNIDO and the Organization's selection as one of the candidates for strategic partnership with the European Commission would facilitate cooperation between the two organizations and further sustainable industrial development objectives. He pledged his country's continued cooperation with a view to the attainment of the Millennium Development Goals for the benefit of future generations.

101. **Mr. SAHINBAS** (Turkey) applauded the measures taken in 2003 with regard to administrative aspects and technical cooperation activities, aimed at further enhancing UNIDO's efficiency. Sustainable industrial development called for comprehensive initiatives. He commended the steps taken to further refine UNIDO's services and the programme adjustments made to align them with the evolving development agenda. Results-based management was pivotal for ensuring that activities contributed to the achievement of strategic objectives and was instrumental in enhancing UNIDO's performance. In that regard, his delegation urged further improvements in performance indicators and results-based management.

102. It was important to focus on the least developed countries, especially in Africa, while maintaining UNIDO's universal character and vocation. He was gratified to note that technical cooperation delivery to Africa had risen by 52 per cent over 2002. He also welcomed the Secretariat's intention to do more to generate increased funds for core UNIDO activities and to avoid excessive dependence on a single funding source.

103. Turkey had contributed for many years to UNIDO's technical cooperation activities, mainly in the areas of SME development and agro-industries, and a regional SME-development project in Kyrgyzstan, Uzbekistan and Azerbaijan had been successfully completed. Turkey's Subcontracting and Partnership Exchange had won the Best Small Business Project Award at the Third World Chambers Congress in September 2003. Turkey intended to continue its regional training activities in 2004. Turkey had benefited from UNIDO's expertise within the framework of Montreal Protocol projects and had designated UNIDO as the GEF implementing agency to oversee implementation of enabling activities in the country in the area of persistent organic pollutants.

104. The International Centre for Hydrogen Energy Technologies, at a cost of US$ 40 million, was to be established in Istanbul under UNIDO's auspices with financial support from Turkey. Such technologies were now crucial to energy supply and environmental protection, and the Centre would form a bridge for technology development and transfer between the developing and industrialized countries. He invited all Member States to contribute to its establishment and successful operation.

105. The time had come to devise new ways of strengthening and diversifying Turkey's bilateral and regional cooperation with UNIDO, and his delegation looked forward to the Director-General's forthcoming visit.

The meeting rose at 6.10 p.m.

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Industrial Development Board

Twenty-eighth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 26 May 2004, at 10 a.m.

President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2003 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.28/2 and Add.1)

1. **Mr. V. C. GARCIA III** (Philippines) said that the Philippine economy had made modest progress in the year 2003, with a growth rate of 4.5 per cent for the gross domestic product (GDP). Exports had risen by 1.5 per cent, far short of the country's performance before the onset of the recent financial crisis, and there had been little change in industrial and manufacturing outputs. That situation was a result of the global slowdown in trade and investments caused by continuing political and social uncertainties in the world, but recent statistics suggested that in the first quarter of 2004 GDP would rise to 5.5 per cent, with an expected 6.3 per cent and 6.4 per cent increase respectively in exports and imports

2. It was during crucial times of economic downturn that the Philippines attached greatest importance to international development assistance to help boost economic activities. His country had benefited in 1999 from a UNIDO programme for the development of small and medium enterprises (SMEs), but UNIDO activities had since declined owing to the vacancy for a Country Representative. For that reason, his delegation particularly appreciated the new Country Service Framework (CSF) initiated by the new Country Representative in 2002 and 2003 and hoped that UNIDO would vigorously pursue its finalization and implementation, inasmuch as development assistance for Philippine industries would help expand productive activities and stimulate further economic opportunities.

3. **Mr. ARIYAPRUCHYA** (Thailand) said that his delegation supported UNIDO's key role in defining and implementing the international poverty-reduction strategies by integrating them with sustainable industrial growth in developing countries. He commended the Organization's efforts to enhance its profile as a leading international development organization.

4. He regretted the low percentage of UNIDO's technical cooperation delivery in 2003 going to Asia and the Pacific, which still needed its support in executing fruitful technical cooperation programmes. Technology transfer through technical cooperation was vital for promoting industrial development, and he urged UNIDO to improve the geographical balance of its technical cooperation.

5. **Mr. AL-LAHAM** (Syrian Arab Republic) said his delegation welcomed the *Annual Report 2003* (IDB.28/2 and Add.1) and was optimistic regarding Syria's cooperation with UNIDO, one of the important partners helping it along its path towards a market economy and better integration into the global economy through activities aimed at increasing competitive capacities. Syria had taken steps to improve the investment environment in order to capitalize on its advantages of geographical location, trained manpower and natural resources.

6. The manufacturing sector was being thoroughly overhauled in an effort to restructure the public sector, open the door to the private sector and encourage joint ventures. Cooperation between the Ministry of Industry and UNIDO was reflected in a number of projects, especially the preparation of a national strategy for the modernization and restructuring of Syrian industry, an exercise funded by the United Nations Development Programme (UNDP) that had been discussed at a special workshop held in Damascus in January 2004. Another study concerned options for reforming the industrial public sector. A programme for assistance to the food, textile, chemical and engineering industries was receiving financial assistance from the Italian Government. An international forum held in Cairo in October 2003, and attended by numerous representatives from the Arab world and regional and international organizations, had discussed the important subject of information technology and trade facilitation with a view to assisting those industries. The Italian Government was also helping to finance those activities.

7. Consultations were proceeding with UNIDO and other donors on assistance in developing an industrial investment framework and in formulating appropriate policies. His delegation hoped that cooperation between UNIDO and his country's Ministry of Industry could be intensified and that coordination between UNIDO and other international organizations could be improved.

8. He welcomed the proposals for decentralization and for field representation, as well as the agreement for a strategic alliance between UNIDO and UNDP, and supported the findings of the informal advisory group. The main purpose was to expand UNIDO activities and improve their effectiveness, through an appropriate mechanism for coordination among UNIDO's various offices and departments. He commended the devolution of greater responsibilities to the offices directly involved in field activities and hoped that, during the coming period, Syria would be enabled to implement the required industrial and economic reforms.

9. **Mr. RAMZY** (Egypt) said that his delegation had noted the extremely positive developments described in document IDB.28/2. The increase in Member States' voluntary contributions to UNIDO's technical cooperation programmes reflected the enhanced image of the Organization.

10. He welcomed the efforts to develop new service modules to meet the development needs of the developing countries. UNIDO was seeking to focus on specific needs such as industrial upgrading and restructuring. He also welcomed the new Africa Productive Capacity Initiative endorsed at the sixteenth meeting of the Conference of African Ministers of Industry, to be pursued within the framework of the New Partnership for Africa's Development (NEPAD), and the memorandum of understanding signed in 2003 between UNIDO and the World Trade Organization (WTO), which would affect international trade in a number of countries, including his own. The problems facing Egyptian exporters—including non-tariff barriers and high transport costs—had been highlighted at a recent seminar held in Cairo, at which it had been agreed that technical assistance was needed to help them increase their competitiveness. It had also been agreed that programmes should be tailored to the needs of industrial entrepreneurs, particularly in the area of training. He appealed to UNIDO to keep up its efforts in that field.

11. Egypt was very interested in enhancing its cooperation with UNIDO, and was anxious to finalize the revised arrangements for the Regional Office in Cairo. The integrated programme for Egypt needed to be developed. An agreement had been concluded on a project for modernizing selected industries in the Borg El-Arab industrial zone, in cooperation with the European Union.

12. He expressed appreciation of the work of the Regional Bureau in Vienna and the Cairo Regional Office. The Government would do its best to give the required assistance to those two offices.

13. **Mr. JAGADEESAN** (India) said that India would continue to play a key role in promoting the objectives of the Millennium Development Goals. The new Government was seeking to give economic reforms a human face and fully supported UNIDO's initiatives for poverty reduction through capacity-building and sustainable development. His Government, which regularly remitted its assessed contribution, also hoped to increase its annual voluntary contribution to the Industrial Development Fund, currently at US$ 1 million.

14. His delegation commended the Secretariat's success in raising technical cooperation delivery by 16 per cent over the previous year, and its refocusing of UNIDO intervention on low-income countries. The financial stability and efficiency that the Organization had achieved through its reform process was reflected in Member States' renewed confidence in it. The new "corporate strategy", which stressed the need for social progress through greater productivity, was noted. Innovation and technological change were the key engines of sustained industrial and economic growth, and India hoped to see a further improvement in UNIDO's programmes based on the 1997 Business Plan on the Role and Functions of UNIDO and the Strategic Guidelines "Towards improved UNIDO programme delivery".

15. He considered the evaluation being carried out with a view to improving programme delivery to be a useful exercise and welcomed the initiative for post-crisis intervention and the proposal to set up an interregional centre for development of multi-hazard resistant building materials for ensuring human security.

16. The Organization's ability to deliver cost-effective programmes in India was amply demonstrated by its projects on manufacturing technology, public-private partnership in the auto-component sector and the Global Investors' Summit. He welcomed new initiatives such as those concerned with trade facilitation for South Asian Association for Regional Cooperation (SAARC) countries. Initiatives in the areas of information and communication technology and biotechnology were needed to help SMEs increase their competitiveness in global markets. India, with its strong domain knowledge in information technology, could collaborate with UNIDO on the design and implementation of appropriate programmes for developing countries. In biotechnology, its vast scientific manpower, knowledge and world-class cost-effective research capabilities could be instrumental in enhancing biotechnology programme initiatives.

17. His Government attached importance to South-South cooperation for sustainable development, and urged the Secretariat to devise more programmes in that field. The major areas of intervention should be institutional and trade capacity-building, entrepreneurship development, skills upgrading, technology transfer, rural energy development and information technology (IT) applications. His Government was already committed to supporting a number of such activities in developing regions.

18. To accelerate development, his Government had planned a major initiative for the upgrading of industrial infrastructure and technology in selected industrial subsectors to make them globally competitive and generate sustainable development. Some 40 projects were in the pipeline, of which 25 were already being processed by the Government and interested agencies.

19. **Ms. UDVARHELYI** (Hungary) said that the *Annual Report 2003* (IDB.28/2 and Add.1) reflected the serious efforts made by the Director-General to enhance the efficiency of UNIDO. Her delegation attached particular importance to UNIDO's contribution to poverty alleviation and to sustainable development in the countries of Central and Eastern Europe (CEE), the

Newly Independent States (NIS) and South-East Europe. Hungary would continue to support UNIDO activities there and in the Western Balkans.

20. She commended UNIDO's promotion of environmentally sound technologies and its implementation of multilateral environmental agreements, and praised its development of a large number of projects relating to the Montreal Protocol on Substances that Deplete the Ozone Layer, projects which, through support costs, represented an important financial source for the Organization. She welcomed the important role played by the Protocol in UNIDO services.

21. Given the Organization's comparative advantage in the implementation of multilateral environmental agreements, she supported the elaboration of projects relating to the Stockholm Convention on Persistent Organic Pollutants (POPs) and the Kyoto Protocol to the United Nations Framework Convention on Climate Change. She welcomed UNIDO's status as an executing agency for POPs-related activities with expanded opportunities with the Global Environmental Facility (GEF). Her country financially supported the national cleaner production centres in the CEE countries, the NIS and the Western Balkans.

22. With regard to the medium-term programme framework for 2004-2007, another area in which UNIDO had comparative advantage was in the eight service modules, clustered around technology diffusion and capacity-building for market access and development. Her delegation strongly supported efforts to increase technical cooperation delivery through field restructuring and noted with interest the idea of a strategic alliance with UNDP. The informal advisory group on decentralization could facilitate dialogue on the parameters of the proposed partnership. While she believed that the alliance would contribute to enhancing the Organization's efficiency and to the reform of the United Nations system, her delegation would appreciate detailed, updated information on the proposal so that Member States could take informed decisions. In any event, duplication of the two organizations' activities was to be avoided and UNIDO's comparative advantage in several segments of sustainable industrial development preserved.

23. As a new member of the European Union, Hungary was trying to reposition itself as a UNIDO donor country and had recently elaborated a policy for international development cooperation. Its donor programme focused mainly on technical assistance, project-based development cooperation and humanitarian aid. Hungary, through its technical experts, could contribute substantially to UNIDO's technology transfer and had helped in the implementation of a regional initiative on technology foresight. Her country would continue to contribute to the fulfilment of the Organization's mission and aims.

24. **Mr. VILLEMUR** (France) commended the Organization's efforts in the direction of decentralization. UNIDO should work closely with UNDP and strengthen coordination between the agencies of the United Nations system in the field. It would be useful for cooperation between UNIDO and UNDP to be included on the agenda for the next session of the UNDP Governing Council.

25. Decentralization should take account of efficiency criteria and UNIDO priorities as set out in the Business Plan and medium-term plans, particularly with regard to the least developed countries and the African continent. The Organization would need to avoid placing too many demands upon its budgetary and human resources or incurring significant additional expenses.

26. Development indicators showed undesirable progress in the countries of the South, but the pace of development was too slow for the Millennium Development Goals to be achieved by 2015 or the marked regional disparities reduced. France was interested in the idea of a joint business plan for the various agencies responsible for sustainable economic development. Cooperation with the United Nations Conference on Trade and Development (UNCTAD), UNDP, WTO and the United Nations Environment Programme (UNEP) would strengthen the Organization's role. France also noted with satisfaction that UNIDO, like many French companies and the French Development Agency, was participating actively in the Global Compact initiative launched by the United Nations Secretary-General.

27. With regard to post-crisis rehabilitation, France had noted that UNIDO planned to assist Iraq in areas such as water, sanitation, health, infrastructure and the habitat. In due course, France would also participate in Iraq's economic and political reconstruction, following the restoration, by 30 June 2004, of Iraqi sovereignty.

28. France welcomed the closer coordination of UNIDO activities with the New Partnership for Africa's Development and the incorporation of integrated programmes and regional programmes under way in the Africa Productive Capacity Initiative. NEPAD was much more than a package of short-term recovery measures; it aimed to bring about profound structural changes and should now be the main framework for the activities of the international community in Africa.

29. France had contributed more than 6 billion euros in official development assistance in 2003 and had been the fifth largest voluntary contributor to UNIDO since the Organization had become a specialized agency. It

was spending approximately US$ 2,250,000 on bilateral cooperation projects, largely in Africa.

30. **Ms. NORIEGA URIZAR** (Observer for Guatemala) said that the *Annual Report 2003* reflected clearly and objectively the efforts being made by UNIDO and the progress achieved in developing countries through the implementation of programmes meeting the specific needs of each country. The Guatemalan delegation fully supported the decentralization initiative.

31. The positive results of the integrated programme for Guatemala, which had been the largest of its kind in the Latin American and Caribbean region, were largely due to the inclusion of certain innovative elements. The programme incorporated the "geographical regions" concept, taking into account the fact that Guatemala was a multicultural and multi-ethnic country, thanks to its rich pre-Hispanic heritage. Attention was given to the poorest and most remote areas, which had been neglected as a result of the internal armed conflict. In the Department of El Petén, for example, the population had had limited access to the technologies that would enable it to move away from the informal sector and integrate into economic activity, particularly in the areas of commerce and crafts. An office set up in El Petén was directly promoting micro-enterprises and small enterprises in areas such as food processing and wood.

32. With the support of the Ministry of Economic Affairs, construction of a National Metrology Centre had begun, scheduled for completion during the second half of 2004. Together with the regional programme on market access and trade capacity-building in Central America, it would provide invaluable support in meeting the requirements resulting from free trade agreements signed with other countries and regions and facilitating the acceptance of Guatemalan products on third markets.

33. The Guatemalan Government was giving the programme its full support. It was hoped that the second stage of the programme would be agreed on as soon as possible. Donor countries were urged to provide contributions for the integrated programmes in the developing countries.

34. **Ms. H. MOHAMMED** (Observer for Ethiopia) said that her delegation had been encouraged by the Director-General's report. The success of the Organization in many areas inspired optimism with regard to future activities.

35. Ethiopia urged UNIDO to maintain the level of technical cooperation delivery it had achieved in 2003, and appealed to Member States to redouble their efforts to help the Organization to keep up its record. Technical cooperation in the area of technology diffusion and capacity-building for market access and development was of vital importance for all developing countries. UNIDO should explore opportunities for further activities to assist developing countries in facing the challenges of the globalized world.

36. The integrated programme for Ethiopia was based on national priorities and in line with national industrial development strategies. Since the private sector was an engine for development, Ethiopia urged UNIDO to further strengthen its activities in private-sector enterprise development.

37. The delegation commended the Organization's close cooperation with other organizations to enhance the level of economic and technological development and assist the integration of developing countries into the global economy and the multilateral trade system, as well as its efforts to formulate optimal strategies for achieving the Millennium Development Goals. Ethiopia welcomed the efforts being made to modernize UNIDO and improve technical cooperation delivery. In principle, it supported the decentralization process, and believed that it would be conducive to the industrialization of the developing countries. It encouraged the Director-General to redouble his efforts to produce concrete and binding results with UNDP, without negatively affecting the independence of the Organization or benefits for recipient countries. It welcomed the establishment of the open-ended, informal advisory group. It was crucial to ensure the stable inflow of resources from different sources.

38. Biotechnology could greatly assist developing countries, particularly the least developed countries, in improving agricultural activities, provided that the implementation process gave due attention to environmental considerations. In that regard, the outcome of the recent Global Biotechnology Forum was to be welcomed, but the limited participation of African and Asian countries was regrettable, given the potential for the application of biotechnology in those regions. The full participation of developing countries in such forums was important and UNIDO should consider means of involving those countries to a greater extent.

39. The Ethiopian delegation appealed to all Member States, and particularly donor countries, to strengthen their relationship with and assistance to UNIDO in order to enable it to meet its objectives.

40. **Mr. CABAÑAS RODRIGUEZ** (Cuba) said that his delegation commended the determination and efficiency with which the Director-General had pursued the reforms that had steadily increased the Organization's international credibility. Cuba noted with satisfaction that, as indicated in the *Annual Report 2003*, greater resources had been mobilized, a number of projects had earned international recognition and the

global forum activities had shown that UNIDO was capable of meeting the challenge of the millennium. The recent Global Biotechnology Forum was one example.

41. Cuba supported the efforts of UNIDO to strengthen inter-agency relations, allowing more resources to be secured for specialized programmes in the developing countries—for example, through the joint UNIDO-WTO programme in the area of trade. It urged the strengthening of the integrated cooperation programmes, which represented one of the most important of the Organization's new initiatives.

42. Cuba supported the strengthening of energy- and environment-related activities, which had already yielded commendable results, as well as the search for new opportunities for specific projects in the developing countries. It appreciated the voluntary contributions made to such programmes by a number of countries.

43. **Ms. MUSINA** (Ukraine) said that many countries continued to be constrained by poor physical infrastructure, weak institutional capacity, a widening technology gap among nations and inadequate regulatory systems. Sustainable industrial development could make an important contribution to poverty eradication and help the developing world to overcome the ever-increasing challenges posed by integration into the rapidly changing global economy.

44. Ukraine welcomed the Organization's modernization efforts, which would enable it to use resources in a more focused and effective manner. Changes such as the promotion of cooperation with countries in transition would assist the modernization process and improve the Organization's ability to respond to new challenges.

45. As a country in transition and with widely developed industrial capacity, Ukraine attached great importance to cooperation with UNIDO as a global forum for industrial development, particularly in the light of the Ukrainian Government's efforts to integrate the country into the World Trade Organization and Ukraine's aspirations to join the European Union.

46. Ukraine was serving as a Member of the Industrial Development Board for the first time since 1991. It wished to thank UNIDO Member States and the Secretariat for helping the country to adopt a payment plan, an effective tool for resolving financial problems. It also appreciated the increased cooperation with the Organization on political and technical levels. The mutual benefit that could be derived from interaction was demonstrated by the results of the official visit to Ukraine by the Director-General in 2002 and the signing of the Framework Agreement on Cooperation for 2003-2007.

47. Ukraine also welcomed the signing of the financial and administrative framework agreement between UNIDO and the European Union. In view of its European aspirations, Ukraine was ready to participate in the relevant regional activities and fully contribute to closer collaboration between the two parties.

48. Thanks to the efforts of the Director-General, the Organization had significantly raised its profile and increased technical assistance delivery. The delegation therefore reiterated its support of UNIDO activities and wished the Organization success in its modernization and decentralization efforts.

49. **Mr. BENSELLAM** (Morocco) said that the *Annual Report 2003* gave grounds for optimism. The Organization's reforms had continued in 2003, leading to financial stability and allowing a refocusing of technical cooperation activities.

50. It was encouraging that the value of technical cooperation delivery had reached US$ 94.6 million, only half a million dollars short of the target set; that represented an increase of 16 per cent over the 2002 figure of US$ 81.8 million. The increase in technical cooperation delivery corresponded to an increase in voluntary contributions, reflecting the confidence of Member States and donor countries in the Organization. He was pleased to note the continuing focus on the least developed and low-income countries, particularly in sub-Saharan Africa. In 2003, services to low-income countries had accounted for about 70 per cent of the Organization's portfolio, compared with 48 per cent in 1996. He welcomed the various steps taken by UNIDO in 2003 to consolidate the results of the reform process, including the refinement of the UNIDO service modules and the development of a new corporate strategy, a medium-term programme framework for 2004-2007 and a consolidated research programme. However, success in the reform efforts could only be achieved by increasing interaction and coordination among the relevant United Nations system programmes and agencies through an enhanced sharing of information and experience.

51. To face the challenges posed by poverty in the world, particularly in the least developed and low-income countries, UNIDO hoped, with the support of Member States and donor countries, to increase development aid resources and draw up a new development agenda. His delegation shared the view that the Organization's success would depend to a great extent on efficiency at the level of the United Nations system.

52. The increased mobilization of resources reflected a growing interest of donor countries in the Organization and inspired hope for the implementation

of integrated programmes in developing countries. However, the mobilization of more resources could perhaps be achieved through tripartite cooperation between recipient countries, donor countries and UNIDO. Donor countries might also consider contributing untied funds to allow more coordinated programme implementation.

53. Although the support of UNIDO and development partners had permitted some tangible results to be achieved in the integrated programme for Morocco, much remained to be done to modernize the national industrial sector and strengthen its competitiveness.

54. **Mr. SCHNYDER VON WARTENSEE** (Switzerland) said that UNIDO was to be congratulated on the success of its endeavours in recent years to achieve financial stability. The increase in voluntary contributions to the Organization showed that the steps taken to better define its main strengths had borne fruit. It should continue along those lines.

55. Switzerland shared the Director-General's view that the Organization should strengthen synergies and operational coordination in the area of economic development with other international organizations. It believed that collaboration between UNIDO and WTO and UNCTAD should be strengthened. The favourable outcomes achieved, in Viet Nam, for example, in the development of synergies between a programme of the International Trade Centre (ITC) and UNIDO activities showed that close cooperation between international organizations could be more successful than isolated actions. While supporting such international cooperation, Switzerland wished to call for increased cooperation within UNIDO with a view to improving the quality of its technical assistance.

56. In the area of technical cooperation, Switzerland had assisted in the establishment of national cleaner production centres (NCPCs) in 14 countries in Latin America, North Africa and Asia. It was pleased to note that, in the case of the earliest projects, the need for international support was diminishing and that the centres concerned were becoming financially independent. His Government intended to continue supporting the activities of cleaner production centres. In the current year it would finance two new programmes, in Laos and Cambodia, and two further projects, in Romania and Egypt, were in course of preparation. In June, the eighth annual meeting of NCPC Directors would be held at Interlaken, Switzerland. That event would provide an opportunity for analysing new environmental technology solutions and for the first time enable links to be established between NCPC Directors and representatives of large retail commercial enterprises in Switzerland. NCPCs could play a crucial role in helping small and medium-sized enterprises in developing countries and countries with transition economies to market their products through major retail chains and thus assist their integration into the global economy.

57. With regard to decentralization and field representation, his delegation stressed the importance of a clear distribution of tasks between UNIDO Headquarters and the field offices in order to ensure the Organization's efficient operation and the rational implementation of technical cooperation projects. UNIDO was too small an organization to support alone a vast network of national offices. That issue should be addressed within the wider context of the reform of the United Nations system. An alliance with UNDP could provide a good solution for optimizing the Organization's field presence. However, there should be a clear distribution of tasks between UNDP and UNIDO and the reorganization should be carried out within the existing budget.

58. At the last session of the Board, Switzerland had suggested that UNIDO might wish to consider ISO 9001 certification for its own management purposes. It wished to reaffirm its interest in that connection and would be willing to undertake an initial feasibility study in close collaboration with UNIDO.

59. **Mr. KADI** (Jordan) said that Jordan welcomed the approval of five new integrated programmes and country service frameworks in 2003. While expressing its thanks to UNIDO for the integrated programme implemented in Jordan to enhance the competitiveness of local food industries and create more employment opportunities, his delegation wished to request the Organization to redouble its efforts to mobilize the financial resources required for the successful implementation of the remaining projects in the country, in particular those executed under the Montreal Protocol.

60. With regard to technology transfer and investment, UNIDO's assistance in the establishment of the Investment Promotion Unit in Jordan was appreciated. However, the gap between investment promotion and the creation of real investment remained wide. The Organization could bridge that gap by helping developing countries enhance their industrial capabilities and strengthen their human resources through the provision of training.

61. Given that the Arab countries were not included in any of UNIDO's regional initiatives aimed at promoting investment and technology transfer, his delegation wished to call upon the Organization and Arab States to initiate dialogue on that question. Jordan, which headed the Arab Investment Promotion Network launched following the last General Conference session, would be prepared to play a major role in facilitating such dialogue.

62. His delegation appreciated UNIDO's new thematic initiative concerning post-crisis rehabilitation and reconstruction, and especially its strategy to support the industrial rehabilitation and economic recovery of Iraq. Those initiatives clearly demonstrated UNIDO's commitment to helping to meet the humanitarian needs of such countries by assisting them in rebuilding their shattered industries.

63. The Organization's interest in the question of human security was welcome. Jordan commended UNIDO and the Government of Japan for their organization of a very constructive workshop on that topic in January 2004 and particularly appreciated the Director-General's announcement of his intention to create a UNIDO special facility for human security.

64. On the subject of decentralization, his delegation commended the Director-General's endeavours to improve the functioning of the Organization and strengthen inter-agency cooperation. It wished to encourage UNIDO to continue its decentralization efforts in a way that would enhance the efficiency of its activities, increase technical cooperation delivery, preserve UNIDO's identity as an independent development organization and entail no additional costs for Member States.

65. **Mr. HOSEINI** (Islamic Republic of Iran), referring to the *Annual Report 2003* (IDB.28/2 and Add.1), said that his delegation was pleased to note that UNIDO had enhanced its status as a development agency and that technical cooperation delivery for 2003 had reached US$ 96.4 million, an increase of 16 per cent compared with 2002. However, bearing in mind the special needs of the least developed countries (LDCs), particularly in Africa, and the 13 per cent decline in technical cooperation delivery for the Asia and the Pacific region for 2003, the Secretariat should look into the possibility of improving the geographical balance of technical cooperation delivery for all the regions.

66. With regard to the integrated programmes and country service frameworks, the successful implementation of those activities depended on the availability of financial resources. UNIDO should therefore increase its efforts to mobilize the necessary funds for that purpose.

67. His delegation strongly supported the Organization's thematic initiatives, in particular trade capacity-building and post-crisis rehabilitation and reconstruction, which could enhance responsiveness to the special needs of developing countries through improved access to international markets and job creation. UNIDO should not confine its activities to those relating to its role as executing agency for multilateral environmental treaties but should give similar attention to other areas identified in the 1997 Business Plan that could facilitate employment generation and contribute to poverty eradication in developing countries, including SME projects.

68. The Organization's intention to pursue initiatives in the field of information and communication technology and biotechnology was welcome. With regard to technology foresight, his delegation hoped that UNIDO would extend its operations in the Asian countries.

69. Concerning human resources management, his delegation welcomed the progress made in improving the geographical balance among the staff and called upon the Organization to continue its efforts to that end.

70. **Mr. JUAREZ** (Mexico) said that his delegation wished to reaffirm the importance that it attached to UNIDO as a specialized agency with responsibility for contributing to reducing poverty and marginalization through clean and sustainable industrial development.

71. His delegation noted with particular satisfaction from the *Annual Report 2003* (IDB.28/2 and Add.1) that the Organization's rate of implementation had increased and that its technical cooperation delivery had risen by 16 per cent. It welcomed the greater focus of the service modules on the contribution that the Organization could make to achieving the Millennium Development Goals. While his delegation was pleased to note that the provision of resources and technical cooperation had increased in some geographical areas, it felt that other areas which also urgently required UNIDO's technical assistance, such as Latin America, should not be neglected.

72. Mexico's commitment to UNIDO was evidenced by the voluntary contribution made by the Government in 2003 to the Industrial Development Fund for the execution of technical cooperation projects concerned with productivity and competitiveness.

73. The Organization should continue on the course ably set by the Director-General in fulfilment of the mandates of the Board and the General Conference, in particular in the medium-term programme framework, 2004-2007.

74. **Ms. TSOKELI** (Lesotho) said that the United Nations Millennium Declaration had set target years for Member States' attainment of some of the Millennium Development Goals. Lesotho was pleased to announce that it had introduced free primary education four years previously and was assiduously pursuing policies aimed at poverty reduction, health improvement and women's empowerment.

75. The implementation of those policies had not been without difficulties. For that reason and in order to

enhance the role that could be played by industrialization in reducing poverty, there had been a shift in the nature of Lesotho's requests for UNIDO's services. In a document entitled "Framework for developing the industrialization master plan for Lesotho", the Minister of Trade and Industry, Cooperatives and Marketing, who had attended the last session of the General Conference, had sought the Organization's expertise and advice. Her delegation hoped that UNIDO would shortly field the hoped-for mission with a view to the holding of further discussions and the formulation of the required technical inputs.

76. The extent, distribution and nature of poverty and unemployment in Lesotho had continuously worsened over the past years. A large proportion of the population lived in poverty and HIV/AIDS (human immunodeficiency virus/acquired immunodeficiency syndrome) continued to affect the productive sector of society, further exacerbating the food crisis and state of famine. Her Government appreciated the guidance which the Organization continued to give and was assured that Lesotho's efforts to tackle those problems with UNIDO's assistance would bear fruit.

77. **Mr. OEMAR** (Indonesia) said that his delegation was pleased to note from the *Annual Report 2003* (IDB.28/2 and Add.1) the positive progress achieved by the Organization, as reflected in its greater financial stability, more focused cooperation activities, improved technical cooperation delivery, increased funds mobilization activities and closer cooperation with donor countries and other international organizations.

78. With regard to technical cooperation activities, while an improvement could be seen by comparison with the figures for 2001 and 2002, his delegation noted with concern the 13 per cent decrease in technical cooperation delivery for the Asian region. The Organization and donor countries should give serious consideration to improving the geographical balance. There were many industrial development areas that still needed to be addressed in the developing countries of the Asia and the Pacific region, including Indonesia, to enable them to meet the Millennium Development Goals.

79. Poverty eradication was a serious challenge for the world at large. Poverty had contributed to today's major problems, such as transnational crime and terrorism. In order to confront the threat to international peace and stability, concrete measures should be taken, including steps to eradicate poverty in developing countries. His delegation urged UNIDO and donors to devote greater efforts to tackling that issue.

80. While an increasing number of new national projects had been agreed, their implementation, in particular in the case of Indonesia, had been slow, one of the reasons being the difficulty in securing donors' commitment.

81. His delegation noted with concern a tendency towards a shift in priority for technical cooperation to other regions, with donor countries increasingly preferring to support bilateral rather than multilateral projects. His delegation called upon UNIDO to explore ways and means of resolving the difficulties in funding its projects and urged donor countries and funding agencies to continue their financial support for the implementation of technical cooperation activities.

OUTCOME OF THE INFORMAL CONSULTATIVE GROUPS (IDB.28/6, IDB.28/7; IDB.28/CRP.6)

82. **Mr. FORNOCALDO** (Managing Director, Division of Administration), introducing the item, said that chapter I of the Director-General's report on the outcome of the informal consultative groups (IBB.28/7) gave a synopsis of the activities of the informal consultative group on voluntary contributions and UNIDO membership since its establishment in June 2003. The group had focused its attention on ways of ensuring a more stable inflow of financial resources from voluntary contributions and making them more predictable in terms of scale and regularity of donations and on increasing the level of recovery of arrears of assessed contributions and also on the type of strategy that would lead to an expansion of UNIDO's membership. The group's co-chairmen had undertaken a reconnaissance mission to the United States of America in January 2004 with a view to soliciting United States interest in reconsidering its membership in UNIDO, fostering cooperation with small island developing States and strengthening cooperation with international financial institutions. At its fourth meeting in February, the group had endorsed the outcome of the mission. The report outlined the proposed follow-up actions based on that outcome.

83. A more detailed outline of follow-up actions was contained in conference room paper IDB.28/CRP.6, which gave specific examples of cooperation already undertaken or to be undertaken, as reported by substantive units, including cooperation with non-member donor States, especially Australia and Canada, and also with the United States in connection with UNIDO initiatives concerning post-crisis industrial rehabilitation and reconstruction. The paper provided information on specific areas of cooperation with small island developing States in such fields as renewable energy, environmental management and entrepreneurship and endorsed a proposal by the group to strengthen UNIDO cooperation with the World Bank, the International Finance Corporation and the Inter-American Development Bank (IADB) despite mixed

results from previous attempts at extending funding opportunities with those institutions.

84. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that members of the Group had participated actively in the informal consultative groups, which he hoped would have a positive impact on the scope and direction of the Organization's work. He particularly commended the work of the group on voluntary contributions and UNIDO membership and hoped that the Organization's recent performance and financial discipline would attract new and former Members to the Organization. He encouraged the Director-General to continue his efforts in that regard.

85. The work of the informal consultative group on trade capacity-building had resulted in a considerable increase in Member States' support for activities in that area and boosted cooperation with other international organizations, in particular the World Trade Organization. The Group would welcome further statistical data confirming that trend. The co-chairmen had greatly contributed to the success of the consultative group's work. Welcoming the expressed readiness of the international financial institutions to cooperate with UNIDO, he expressed the hope that such readiness would be translated into action as soon as possible.

86. The Group had noted with interest the developments relating to Africa at the tenth session of the General Conference. It also welcomed the possibility of joint UNIDO-IADB projects in the Americas and requested the Secretariat to explore the possibility of extending such projects to other regions in the future.

87. In the area of trade capacity-building, the Group welcomed the Organization's activities and cooperation with other international organizations and encouraged UNIDO to use its unique experience to help developing countries meet internationally agreed technical standards. The Group supported all efforts to accelerate action on trade capacity-building in Africa.

88. **Mr. AREVALO** (Colombia), speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), welcomed the establishment of the informal consultative groups on voluntary contributions and UNIDO membership and on trade capacity-building, as well as the new informal advisory group on decentralization, and expressed the readiness of GRULAC to cooperate in the work of the groups. Efforts to ensure predictable resources, to attract new and former Member States to the Organization and to strengthen interaction with other agencies of the United Nations system required the support of all Member States, so that the aspirations of both developed and developing countries could be fulfilled.

89. The work of the groups would particularly benefit the forthcoming summit of European Union and Latin American and Caribbean nations in Guadalajara, Mexico, where agreements to facilitate trade between the two regions would be discussed. It was to be hoped that UNIDO would take note of the outcome of the summit. Similar negotiations were under way with the United States of America and at the subregional level. GRULAC also attached great importance to the memorandum of understanding signed in September 2003 between UNIDO and WTO, which called for united efforts to build trade capacity by, inter alia, eliminating supply restrictions imposed through tariff barriers.

90. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the European Union had participated actively in the informal consultative group on voluntary contributions and UNIDO membership. The Organization needed sustained and predictable funding, although account should be taken of the fact that most contributions for operational activities were of a voluntary nature. The European Union supported the Director-General's efforts to broaden the donor base and to examine innovative sources of funding, including the proposal for project funding through debt-swap agreements. The Secretariat could also consider elaborating a set of "systemic incentives" which would foster the ability of emerging donors to contribute to the Organization. It was pleasing to note that 2003 had seen the highest level of voluntary contributions by developing countries since 1997.

91. The group had carried out substantial work on examining the possibilities for increasing the Organization's membership. The European Union had noted with interest the outcome of the consultations held during the visit to the United States of America by the Ambassadors of Italy and India in January 2004 and the recommendations emanating from the visit. It would like to be kept informed of follow-up activities and encouraged the Director-General to continue his consultations with all potential and former Member States.

92. Trade-related technical assistance and capacity-building represented an important tool for integrating developing countries and countries with economies in transition into the global economy and ensuring that they benefited from globalization. The European Union had therefore followed with interest the work of the informal consultative group on trade capacity-building and looked forward to its continuing work, particularly with regard to monitoring progress in project implementation within the framework of the

memorandum of understanding between UNIDO and WTO, signed in September 2003.

93. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China, welcomed the progress made so far by the informal consultative groups and commended the efforts of the Director-General and the co-chairmen of the groups to explain the Organization's new structure and recent achievements with a view to broadening membership.

94. The Group welcomed the consultations held with the United States authorities, but was disappointed to note that the recent radical reform of UNIDO had not persuaded the United States to consider rejoining the Organization in the near future. It therefore urged the Director-General to maintain dialogue with that country and other former Member States and to encourage non-members to join. The proposals made by the co-chairmen of the consultative group should be implemented and plans for further discussions with small island developing States should be drawn up. She also welcomed the interest of UNDP in establishing a permanent arrangement for consultation and information exchange with UNIDO and the readiness of international financial institutions to cooperate with the Organization.

95. UNIDO should continue its trade capacity-building activities and cooperation with other international organizations in implementing the initiative on trade and market access facilitation. Increased technical assistance was needed in order to help developing countries meet internationally agreed technical standards.

96. Referring to General Conference resolution GC.10/Res.2, she urged the Director-General to continue consultations on how best to carry forward the process of decentralization to the field. The Group of 77 and China had participated actively in the work of the informal advisory group on decentralization and welcomed the group's recommendations. The main purpose of decentralization should be to enhance technical cooperation delivery. UNIDO should maintain its homogeneity and area of specialization within the envisaged alliance with other international organizations. New synergies would place the Organization in a better position to implement the 1997 Business Plan and the strategic guidelines "Towards improved UNIDO programme delivery". The Secretariat should further elaborate the concept of decentralization, bearing in mind that it was a multifaceted process and should involve not only UNDP but also other organizations of the United Nations system. In view of the United Nations reform process, the issue of decentralization should be addressed well ahead of time. Member States should support the Director-General's efforts to ensure that UNIDO took a lead in the reform process.

97. The Group welcomed the sharing of information by the members of the informal groups and requested further briefings as their work progressed.

98. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, welcomed the recent steps taken to increase voluntary contributions, broaden UNIDO membership and promote trade capacity-building. The informal consultative groups had worked actively on those areas in close consultation with Member States. The Asian Group looked forward to the implementation of the groups' recommendations.

99. Contacts with the relevant officials of the United States of America, Australia, Canada and small island developing States should be pursued with a view to encouraging those countries to join the Organization. Efforts to enhance cooperation with international financial institutions should also be maintained.

100. The Organization's expertise in building capacities with regard to conformity to technical regulations and standards should be utilized to help developing countries overcome technical barriers to trade. In that context, the Group welcomed the signing of the memorandum of understanding between UNIDO and WTO and requested the informal consultative group and the Secretariat to keep Member States informed of the progress of specific programmes in that regard.

101. The Group attached great importance to effective decentralization of the Organization's activities, as laid down in the 1997 Business Plan and the 2003 recommendations of the Joint Inspection Unit (JIU). He also drew attention to General Conference resolution GC.10/Res.10, which requested the Director-General to consider, among other things, the introduction of a rotation scheme of core Professional staff between Headquarters and the field with a view to strengthening field offices.

102. He encouraged the Secretariat to continue its efforts to improve the functioning of UNIDO and promote inter-agency cooperation so as to make the Organization's work more effective. He also welcomed the establishment and preliminary work of the informal advisory group on decentralization.

103. The Asian Group supported the Organization's endeavour to expand its presence in as many Member States as possible, as long as it did not require additional financial resources and improved the effectiveness of UNIDO activities while preserving the Organization's identity in terms of its core competencies and comparative advantages. Developing countries, especially those with ongoing UNIDO programmes, might benefit from an expanded presence of field representatives with relevant expertise.

104. UNIDO should maintain and build on its achievements in decentralization. Successful regional and country offices should be strengthened and an assessment of previous results should be carried out to provide a basis for further action. The specific needs of each country should also be taken into account. He requested the Secretariat to provide a detailed plan, including information on the financial implications and evaluations of possible options and scenarios. The Secretariat should also continue its close consultation with Member States in that regard. A phased approach using pilot and demonstration projects might help to improve chances of success in subsequent decentralization efforts.

105. **Mr. LI Shenggen** (China) welcomed the initiative taken by the Director-General in establishing the informal consultative groups. The work of the group on voluntary contributions and UNIDO membership was particularly important because securing adequate financial resources remained essential for the Organization to implement its technical cooperation projects effectively and help developing countries, especially the least developed countries, to improve their industrial capacity. It was to be hoped that the group would consolidate the work already done, strengthen its cooperation with other relevant parties, and explore and develop new resource areas so as to overcome the shortage of funds and provide developing countries with adequate funds for technical cooperation.

106. It was vital to improve the trade access capacity of developing countries in the context of promoting sustainable industrial development, alleviating poverty and achieving the Millennium Development Goals. He therefore commended the work of the informal consultative group on trade capacity-building. He also welcomed the memorandum of understanding recently concluded between UNIDO and WTO. It was to be hoped that UNIDO would put its expertise to good use to help developing countries ensure that their products met international standards.

107. Decentralization was important for achieving greater efficiency and improving the service provided to developing countries. He therefore welcomed the establishment of an informal advisory group as a first step in the long-term process of decentralization and commended the recommendations already adopted by the group. He hoped that UNIDO would further explore the possibility of cooperation with other agencies while maintaining its areas of comparative advantage and specialization.

108. **Mr. CHO Chang-Beom** (Republic of Korea) welcomed the establishment of the informal consultative groups as an effective means of enhancing transparency among Member States and providing useful recommendations to the Secretariat. It was to be hoped that similar arrangements would be used in the decision-making process on other major issues in the future.

109. He commended the activities of the group on voluntary contributions and UNIDO membership, particularly the dialogue with the United States Administration and Senate and with international financial institutions, which had helped to promote a favourable view of the Organization by highlighting its recent activities and reform process. In order to achieve the common goals of universality of UNIDO and a strengthened financial base for the Organization, former major donor countries should be induced to rejoin UNIDO and close cooperation should be maintained with the relevant international financial institutions. His delegation requested the Secretariat to devise a comprehensive medium- and long-term strategy to tackle that issue and to continue follow-up activities in close consultation with Member States.

110. Noting that trade capacity-building in developing countries had become more important than ever in the age of globalization, he expressed the hope that the Secretariat would continue to explore the possibilities for providing technical assistance to developing countries to help them overcome technical barriers to trade and facilitate their access to international markets.

111. With regard to decentralization, he welcomed the recommendations made by the informal advisory group, which would serve as a useful guideline for further discussions among Member States. He also welcomed the Secretariat's efforts to expand its field presence through inter-agency cooperation and hoped that technical cooperation delivery would improve as a result. A strategic alliance with a United Nations agency was not an end in itself but rather a means of enhancing the efficiency and productivity of the Organization.

112. **Mr. JAGADEESAN** (India) said that his delegation welcomed the work of the informal consultative groups, which were pursuing important issues in close consultation with Member States. He hoped that the groups' recommendations would be implemented effectively. His delegation had participated actively in the deliberations of the groups, besides co-chairing the group on voluntary contributions and UNIDO membership.

113. Contacts with former Member States and non-member States should be maintained and intensified in order to expand the Organization's membership and thereby increase and stabilize its financial resources. Close cooperation with international financial institutions should also be continued.

114. UNIDO should utilize its expertise in trade capacity-building to help enterprises in developing countries conform to international technical regulations

and standards and overcome technical barriers to market access. The memorandum of understanding between UNIDO and WTO should be carried forward.

115. Welcoming the Secretariat's efforts to strengthen the Organization's field presence and implement decentralization, he emphasized that that process should focus on enhancing technical cooperation delivery and build on the Organization's prior achievements. Successful regional offices should be further strengthened. In addition, possibilities for partnership with other agencies should be explored with a view to widening coverage and making the field presence as effective as possible. However, his delegation shared the concern already expressed that UNIDO should maintain its distinctive identity and preserve its core competencies.

116. **Mr. HOSSEINI** (Islamic Republic of Iran) welcomed the recent steps taken with regard to voluntary contributions, UNIDO membership and trade capacity-building. In order to implement the recommendations of the informal consultative groups effectively, it was vital to maintain contacts with non-members and former Members of UNIDO, interact more closely with international financial institutions and utilize the Organization's expertise in building trade capacities.

The meeting rose at 1.10 p.m.

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Industrial Development Board

Twenty-eighth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 26 May 2004, at 3 p.m.

President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 3.15 p.m.

STATEMENT BY THE MINISTER OF INDUSTRY AND HANDICRAFTS OF SENEGAL

1. **Mr. SAVANE** (Minister of Industry and Handicrafts of Senegal) thanked those who had enabled Senegal to rejoin the Industrial Development Board. Senegal was a beneficiary of numerous international cooperation programmes. He noted with satisfaction the focus of UNIDO activities on trade capacity-building, poverty reduction, energy and the environment, and welcomed the Organization's renewed commitment to supporting Senegal in its development efforts. In that context, he wished to provide information on the integrated programme for Senegal.

2. Of the projected integrated programme budget of US$ 7.8 million, 75 per cent had been effectively mobilized for programme implementation. His delegation wished to thank UNIDO and all the donors for their cooperation. The lessons learned during implementation of the first phase of the programme were detailed in an independent assessment report which recommended steps to ensure the stability of the institutional and operational framework for programme implementation, the adequate financing of the seven interdependent components of the first phase, and the preservation of the integrated nature of implementation through the development of synergism between components. The first component, concerning the development and implementation of industrial strategy, had been based on a participative approach involving the private sector, civil society and the donor community, which would enable Senegal to adopt an Industrial Redeployment Policy. The second component, relating to the establishment of a national industrial information network, had provided a unique source of online information, administered by the leading players in the industrial sector. A Support Project for Small Senegalese Enterprises assisted business groups in developing and structuring professional representative organizations.

3. The industrial partnership development component had formed the basis for the National Subcontracting and Partnership Exchange, providing information services to small and medium enterprises and helping to establish subcontracting agreements between donors and recipients.

4. The quality, standardization and metrology component had been subregional in nature due to its links with the Quality Programme being implemented by the Commission of the West African Economic and Monetary Union (WAEMU), which sought to establish a system for quality promotion, standardization and accreditation within WAEMU. At the national level, the component had contributed to the transformation of the Senegalese Standards Institute into the Senegalese Standardization Association, which was largely controlled by the private sector and considered to be the optimal mechanism in a context of openness to the world market. The Association had been supported by the integrated programme in organizing the fifth "National Oscar for Quality" awards. The "Oscars" were awarded to Senegalese businesses that had been particularly successful in maintaining quality standards.

5. The component relating to the promotion and protection of a cleaner environment had been replaced by the Multifunctional Platform pilot project, which aimed to reduce the domestic workload of women in rural communities in order to enable them to dedicate themselves to income-generating activities.

6. The seventh and final component of the integrated programme had focused on strengthening pilot enterprises in the food-processing and textile sectors. It had allowed the productivity of women engaged in small-scale fishery activities to be increased and facilitated the creation of a centre for the promotion of the textile industry.

7. The positive results achieved by the integrated programme were attributable both to the Senegalese Government and to UNIDO and the success of its local staff in mobilizing funds. The programme had facilitated the creation of technical and technological support tools and structures for the implementation of Senegalese industrial policies.

8. The second phase of the integrated programme would take into account a number of guiding principles, the most important of which were cooperation between the State and the private sector, the streamlining of the institutional framework and the development of a sound strategy for the communication of information.

9. The programme guidelines focused on national priorities, particularly those relating to industry and private sector development, and were drawn up on the basis of: the Poverty Reduction Strategy Paper, supported by all development partners; the Private Sector Development Strategy, which provided a framework for dialogue between the State and the private sector on Senegalese enterprise development programmes; and the Industrial Redeployment Policy and accompanying Action Plan.

10. It was hoped that the second phase would help Senegal to attain its poverty reduction and millennium goals, providing the technical and institutional tools needed to strengthen competitiveness and to intensify and decentralize national production, particularly industrial production. It consisted of two components, the

first designed to enhance national capacity and strengthen the competitiveness of the modern industrial sector through technological support and strategic guidance, and the second focusing on the development of methodologies for intervention and capacity-building for the promotion of small and medium enterprises, particularly in the food production sector in rural communities.

11. His delegation commended UNIDO for supporting the economic integration of the subregion, and wished at the same time to stress that the lessons learned during two Industrial Development Decades for Africa were relevant to the implementation of those aspects of the New Partnership for Africa's Development (NEPAD) relating to the diversification of production and exports.

12. A meeting of West African Ministers of Industry was planned to take place in Dakar. It would provide an opportunity for the presentation by UNIDO of tools and strategies for resource mobilization to permit the effective implementation of the Africa Productive Capacity Initiative (APCI).

OUTCOME OF THE INFORMAL CONSULTATIVE GROUPS (*continued*) (IDB.28/6, IDB.28/7, IDB.28/CRP.6)

13. **Mr. SRIWIDJAJA** (Indonesia) said that he welcomed the continuing efforts of the Organization to hold informal consultations with Member States and with other international organizations, including those with United Nations Development Programme (UNDP) concerning a possible alliance and those with the World Trade Organization (WTO) on trade capacity-building and market access facilitation. Together with closer cooperation, informal processes would lead to more coordinated and effective joint efforts to address the urgent needs of developing countries, including enhanced UNIDO technical cooperation delivery, and would encourage other countries to join and former Members to rejoin the Organization.

14. His delegation appreciated the efforts made to explore decentralization options, and advocated a transparent approach to decision-making processes within the Organization.

15. The informal advisory group on decentralization had already produced concrete recommendations that should be taken into account in formulating future decentralization policies. There should be no delay to the implementation of agreed national projects, irrespective of the final result of the decentralization process, which should find ways to overcome the obstacles which in some cases were hindering project implementation.

16. Every effort should be made to maintain the Organization's profile as one of the most important international organizations.

17. **Mr. EL-LAITHY** (Egypt) expressed support for consultations with Member States on the expansion of UNIDO membership and the enlargement of its financial base through increased voluntary contributions. Egypt was willing to share its experience in order to help the Secretariat further explore the possibility of debt swaps.

18. With regard to trade capacity-building, his delegation commended the efforts made by certain countries to eliminate non-tariff barriers, which were a considerable hindrance to developing countries. UNIDO was urged to explore possibilities for activities based on agreements with WTO to assist developing countries within the context of the Doha Development Agenda, paying particular attention to trade capacity-building in African countries.

19. **Mr. ASIEGBU** (Nigeria) commended the results achieved by UNIDO since the commencement of the reform process and the informal consultative approach to decision-making.

20. Under the integrated programme for Nigeria, an Industrial Policy Forum had been organized in April 2004 by UNIDO and the Nigerian Government, with active support from several international development partners. The Forum had been declared a demonstration of the Government's commitment to poverty reduction through appropriate industrial policy initiatives. The Forum had examined the difficulties, constraints, potential and competitiveness of Nigerian industry, particularly in the cassava, dairy and textile subsectors. The aim had been to promote the concept of evidence-based advocacy to ensure that new industrial policies drawn up to enhance value addition within the subsectors were based on rigorous economic analysis of conditions prevailing in the sector, the view of key stakeholders and an evaluation of the potential impact of selected policy options. The recommendations of the Forum were being studied by the Government with a view to their immediate implementation.

21. The programme had also led to the establishment of the Industrial Information Centre, which was equipped with modern information technology facilities and designed to provide first-hand, fast and relevant information relating, inter alia, to available investment opportunities in Nigeria. The Nigerian delegation appreciated the Organization's commitment to the project, particularly the identification and training of key Centre personnel. The Centre would be formally commissioned at the Fifteenth International Conference on Small and Medium Enterprises (SMEs) jointly

organized by the Nigerian Government and the World Association for Small and Medium Enterprises (WASME), to be held from 19 to 22 July 2004 in Abuja.

22. Of Nigeria's US$ 5.5 million counterpart contribution to the integrated programme, a final sum of US$ 2 million had been approved for release to the programme trust fund, reflecting Nigeria's ongoing commitment to UNIDO programmes and activities. However, there had been some delay in meeting the US$ 5.5 million target sum expected from donor countries. The Nigerian delegation therefore appealed to the Director-General to strengthen fund mobilization.

23. In April 2004 Nigeria had hosted the first meeting of the Sixteenth Bureau of the Conference of African Ministers of Industry (CAMI), which had discussed the Africa Productive Capacity Initiative as well as other resolutions directly affecting Africa, and had submitted its decisions to the African Union Summit scheduled for 6-8 July 2004 in Addis Ababa. The Conference aimed to synchronize the elements of the initiative with the African Union and NEPAD policy agenda in order to influence future national resource allocation in favour of industry.

24. While efforts to address decentralization were appreciated, the result of decentralization should be the creation of more UNIDO offices in Africa and other regions and the strengthening of regional activities.

25. Nigeria commended initiatives to address the provision of energy to rural communities, and recommended the establishment of national and regional "focal points" for renewable energy, the promotion of technologies for training and capacity-building purposes, and increased scope for the promotion of renewable energy as a means of power generation accessible to rural communities.

26. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that he took note of the comments, recommendations and encouragement offered by delegations and that the Secretariat would seek to develop an optimal monitoring procedure for the consultative groups.

MEDIUM-TERM PROGRAMME FRAMEWORK 2004-2007 (IDB.28/3; IDB.28/CRP.9), **INCLUDING:**

(a) **APPLICATION OF THE STRATEGIC GUIDELINES "TOWARDS IMPROVED UNIDO PROGRAMME DELIVERY"** (IDB.28/3)

(b) **SOUTH-SOUTH COOPERATION** (IDB.28/2)

(c) **UNIDO ACTIVITIES IN COUNTRIES EMERGING FROM CRISIS SITUATIONS** (IDB.28/5; IDB.28/CRP.4)

(d) **DECENTRALIZATION** (IDB.28/6; IDB.28/CRP.7)

27. **Mr. HONSOWITZ** (Germany), speaking as a co-chairman of the informal advisory group on decentralization and reporting on the group's work, said that representatives of a large number of countries had participated in the group's discussions or in related consultations on the important and complex issue of decentralization. Concerns had been expressed with regard to technical cooperation delivery and the possible impact on UNIDO finance and staff. On the basis of consultations and information provided by the Secretariat, the group had reached a consensus. It recommended to the Secretariat to take into account the conclusions of the report on the assessment/evaluation of UNIDO's field representation in order to elaborate and pursue the best option for further strengthening and rationalizing its field presence with the aim of increasing and extending its technical cooperation delivery while enhancing its participation in the United Nations system at the country level. It invited the Director-General to continue his dialogue with the UNDP, and possibly other United Nations agencies, with a view to submitting a proposal on a potential alliance in the field and in the context of United Nations reform for further consideration. The future field representation scheme should preserve and build upon UNIDO's achievements in the various regions. It should also: (a) promote increased and extended technical cooperation delivery by UNIDO with improved efficiency and results based on the work of its most successful offices; (b) increase its participation in common United Nations initiatives at the country level; (c) develop synergies, inter alia between UNDP and UNIDO, while ensuring that UNIDO core competencies were respected and promoted, and that its own identity, visibility and ability to carry out its mandates were maintained; and (d) remain within the limits of existing budgetary resources. The group further recommended that UNIDO's new field presence be expanded in a carefully planned, phased-in approach. A draft decision based on those recommendations was being submitted.

28. **The PRESIDENT** thanked the co-chairmen of the informal advisory group on decentralization, Mr. Zhang Yan of China and Mr. Honsowitz of Germany, for their efforts.

29. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China and referring to sub-item (b) of the agenda item under discussion, said that she was appreciative of existing North-South cooperation but that enhancing South-South cooperation was of vital importance to developing countries. She commended UNIDO for encouraging discussions on related issues and on the enhancement of private sector development, and urged the Organization to help further strengthen the relationship between Asia and Africa, particularly

with regard to the promotion of investment and technology. She also urged the Secretariat to create a special facility for South-South cooperation and to call upon donor countries to increase their contributions.

30. Welcoming the results of the Biotechnology Forum of March 2004, she urged UNIDO to give special emphasis to the four points set out in annex II to document IDB.28/8.

31. Commending the promotion of the development of biomass, small hydro power and other forms of sustainable energy for productive use, she urged the Organization to support the establishment of centres for efficient energy production and management in other regions. She noted with satisfaction the recent International Seminar on Small Hydro Power Cooperation among Developing Countries held in Hangzhou, China.

32. She was encouraged by future prospects for close cooperation between UNIDO and NEPAD, but would appreciate a report on the results achieved through collaborative efforts so far and on the Organization's progress towards fulfilling its role in meeting the Millennium Development Goals (MDGs).

33. She strongly supported cooperation between UNIDO and the Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries on a project concerning technology needs assessment.

34. On sub-item (c), she expressed support for activities in countries emerging from crisis situations in pursuance of General Conference resolution GC.10/Res.6. That resolution should be implemented bearing in mind the critical status and vulnerability of people in post-crisis and post-conflict countries, where industrial rehabilitation and reconstruction were a key element of economic recovery.

35. The formulation of appropriate responses to specific industrial development challenges in post-crisis situations should be pursued, and further financial resources should be made available to implement approved projects. She welcomed proposals for the creation of a UNIDO Special Facility for Human Security.

36. In conclusion, she wished to stress that, in all documents relating to post-crisis and post-conflict activities, the Secretariat should only use agreed language as reflected in the General Conference resolution.

37. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, reaffirmed the Group's commitment to the Strategic Guidelines and welcomed their full conceptualization. The Group would welcome information on progress made in the endeavour to take the Guidelines into account in the implementation of UNIDO technical programmes.

38. South-South cooperation was an essential mechanism whereby developing countries could strengthen their economic independence and achieve their development goals, ultimately participating equitably and effectively in the emerging global economic order. It complemented rather than substituted North-South cooperation, and could only succeed in the framework of cooperation between North and South. The relationship between South-South and North-South cooperation could be expressed in triangular cooperation arrangements where the expertise and technology of developing countries could be combined with financial support from the developed world to provide assistance to less developed countries. The Group noted with great satisfaction that cooperation among the developing countries was beginning to bear fruit and that a considerable potential was developing. Regional integration, trade and investment, food and agriculture, water, health and education and information and communication technology were some of the areas in which economic and technical cooperation among developing countries could be strengthened and resources, experience and expertise exchanged.

39. The Group commended the Organization's active participation in the High-Level Conference on South-South Cooperation held in Morocco in December 2003, as well as the organization of a round table on the use of renewable energy in achieving the MDGs, and supported the use of renewable energy to reduce reliance on energy imports and diversify supply mixes through the use of local resources.

40. The Group advocated further cooperation with agencies such as the South Centre in Geneva, the UNDP Special Unit for Technical Cooperation among Developing Countries, the International Trade Centre, the International Atomic Energy Agency and donor countries.

41. It also urged the Secretariat to continue to adhere to the basic principles of sound diagnosis, tailor-made responses, close donor coordination and inter-agency collaboration in its interventions in post-crisis situations. It commended the organization of a workshop on human security and supported the proposal for a UNIDO Special Facility for Human Security. The Group called upon the donor community, other international organizations and Member States to help fund the initiative.

42. Recognizing the need to strengthen the Organization's field operations, the Group encouraged continued discussions on how best to pursue

decentralization in a way that would guarantee UNIDO's homogeneity and specialization and improved technical cooperation delivery. Decentralization should focus on region-specific needs, embrace stakeholders and donors and, in the African context, involve close liaison with the African Union, the Conference of African Ministers of Industry and NEPAD. Synergism with other international organizations should be promoted within the framework of the reform of the United Nations system.

43. Decentralization could increase the impact of technical cooperation, and the Group supported increased decentralization of authority to the field offices. It took note of the transfer of team leadership for selected integrated programmes to the respective UNIDO Representatives in the countries concerned but stressed the need for close coordination with UNIDO Headquarters.

44. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), expressed the hope that UNIDO activities would focus on the needs of the Latin American and Caribbean region in the areas of: investment promotion; technology transfer, diffusion and management; trade facilitation and market access; the development of private sector enterprise; and the application of multilateral environmental agreements.

45. GRULAC welcomed the proposal to focus the research programme on technology diffusion and trade capacity-building, so as to bring to light ways of ensuring that the accumulation of technological and trade-related capacities translated into productivity growth and poverty reduction.

46. With regard to efforts to promote South-South cooperation, GRULAC welcomed the progress made in cooperation between the Common Market of the Southern Cone (MERCOSUR) and the Economic Community of West African States (ECOWAS), as well as the plan to promote cooperation between MERCOSUR and the Southern African Development Community (SADC) within the NEPAD framework. GRULAC urged UNIDO to follow up the proposals in the declaration adopted by the High-level Conference on South-South Cooperation held in Morocco, particularly in the area of renewable energy. GRULAC agreed that triangular cooperation was a useful arrangement in international cooperation, especially with regard to the use of the expertise of emerging countries with the financial support of developed countries and international organizations.

47. GRULAC noted with satisfaction the progress achieved with regard to activities in countries emerging from crisis situations, and the attention given to developing practical tools for industrial reconstruction, and called upon industrialized countries to lend their political and financial support to the related programmes. The Latin American and Caribbean region was highly vulnerable to floods, drought, earthquakes and other natural disasters. Conditions of extreme poverty and the impact of illicit activities such as drug trafficking also fuelled numerous conflicts in areas where industrial infrastructure was lacking.

48. GRULAC welcomed the work of the informal advisory group on decentralization. What was needed was constant adaptation to the needs and expectations of countries to ensure that they derived benefit from international programmes. Field representation was a useful tool for service delivery and programme implementation.

49. GRULAC considered that an alliance with UNDP could be advantageous if it respected the independence of UNIDO in the field and if additional resources were secured for specific technical assistance projects taking into account the real interests of Member States.

50. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, expressed appreciation for the fact that, in the implementation of the medium-term programme framework, account had been taken of the guidance given by Member States in formulating the refined service modules, areas of emphasis, priority services and research programme.

51. The Group supported the aim of enhancing productivity as a means of achieving social advancement, and hoped that technical cooperation services and the research agenda would be adapted to enable developing countries and countries with economies in transition to gain market access through technology transfer and capacity-building.

52. South-South cooperation was a means whereby developing countries could strengthen their economic growth, achieve their development goals and ensure equitable and effective participation in the emerging global economic order. The urgent needs of such countries could be more effectively met by using their specific expertise in areas such as rural energy for production, including small hydro power and bio-technology. The Group appreciated the Organization's sectoral support activities, which were crucial in strengthening the industrial development of developing countries.

53. The Group hoped that the Organization would continue to seek ways in which to enhance and promote South-South cooperation, including fund mobilization and the development of domestic capacity in Member States, and to strengthen cooperation between Governments, the private sector and academic institutions. It supported cooperation with agencies such

as the South Centre in Geneva and the UNDP Special Unit for Technical Cooperation among Developing Countries.

54. The Group noted with satisfaction the success of international conferences such as the Third Tokyo International Conference on African Development (TICAD III) and the High-level Conference on South-South cooperation held in Morocco, and urged UNIDO to explore possibilities for triangular cooperation and investment and technology promotion.

55. The Group supported post-crisis rehabilitation and reconstruction and wished to express appreciation for the preparation of proposals for post-crisis intervention projects worth US$ 1.5 million. The Group welcomed the needs assessments carried out in 2003 in respect of 14 countries, and asked the Secretariat to encourage donor countries to allocate adequate funds for the proposals as soon as possible.

56. Commending the joint organization by UNIDO and Japan of a workshop on human security in January 2004, the Group also expressed appreciation for proposals to create a UNIDO Special Facility for Human Security. At the same time, it was hoped that balance would be maintained with regard to existing programmes such as integrated programmes and Country Service Frameworks.

57. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union (EU) and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the EU supported the focus of UNIDO activities on selected priority areas but held that the Organization should consolidate its expertise in specialized areas where it had a clear comparative advantage. Its programmes and activities should also be in line with national poverty reduction efforts. The Union fully supported the development of a long-term vision statement and an appropriate research agenda.

58. South-South cooperation played an important role in poverty reduction and sustainable development. The EU looked forward to the publication of the official strategy paper and subsequent discussions, and in particular requested further information on the likely availability of funding for related programmes, stressing that all programmes should be carried out within the parameters outlined.

59. The EU thanked the Comptroller General and his team for their report on UNIDO field representation, noting with concern the conclusion that the existing field structure did not provide value for money and was no longer up to date and welcoming the efforts being made to take the matter up as the last major element of the reform process.

60. The EU had participated actively in the work of the informal advisory group on decentralization and gave its full support to the group's report and recommendations.

61. Given that decision-making and delivery capacity should be as close as possible to the recipient country in order to respond readily to changes in the field, the Organization's active participation in country-level coordination mechanisms was extremely important. The EU recognized the need to simplify the existing field structure, harmonize functions and clearly define the responsibilities of Headquarters and field offices while taking full account of the highly diverse nature of different regions and countries.

62. The EU strongly encouraged continued talks with UNDP concerning the proposed cooperative alliance, which was a promising initiative that could make a significant contribution to reform efforts. The proposed alliance could further increase the relevance, delivery capacity, effectiveness and efficiency of UNIDO programmes, but serious consideration would have to be given to the most appropriate means and speed of implementation.

63. In order to achieve maximum transparency, the EU urged that information on the state of the inter-agency discussions be provided during the forthcoming session of the Executive Board of UNDP and the United Nations Population Fund (UNFPA). The EU looked forward to information and further discussions on the outcome of dialogue with UNDP at the next session of the Industrial Development Board.

64. **Ms. ALOMATU** (Ghana), commenting on sub-item (c) of the agenda item, welcomed the Organization's involvement in countries emerging from crisis situations. Such countries were faced with an exacerbation of economic difficulties as a result of the destruction of physical infrastructure and distribution networks and the disruption of markets and financial systems. International organizations, as well as Governments, had an important role to play in drawing up post-conflict recovery programmes. As Chair of ECOWAS, Ghana had been actively involved in efforts to restore stability to the West African subregion and thus facilitate economic development.

65. The international community needed to address the causes of conflicts. Ghana was working with other countries in West Africa to find ways of eliminating or significantly reducing threats to peace, such as the proliferation of small arms, which in the hands of unemployed youths and non-State actors constituted a

grave threat to society and one of the major factors contributing to civil conflicts. The formal end of conflicts was only the beginning of the healing process for victims, mostly defenceless women and children, including child soldiers. In order to ensure an irreversible and sustainable return to normalcy, activities should focus not only on the disarmament process but also on providing young people with marketable skills that would be a viable alternative to the use of the gun as a means of livelihood. However, the most urgent priority was the reduction of abject poverty and the provision of employment. Timely support in priority areas to reduce the vulnerability of peoples emerging from conflicts should be part of the international community's comprehensive response. Assisting UNIDO in its post-crisis reconstruction efforts would be an investment in the future.

66. Ghana continued to offer protection and humanitarian assistance to the significant numbers of refugees that came to it from conflicts in neighbouring countries, putting extreme pressure on its development infrastructure and budgetary resources. Any strategy for restoring stability and normalcy to post-conflict countries should also focus on the need to repair the damage caused to the economies of countries hosting significant refugee populations. While UNIDO was to be commended for its income-generating activities for refugees in several West African countries, the strain on Ghana's infrastructure and educational, health and sanitary facilities called for a more targeted development assistance package for the benefit of refugees and the hosting communities.

67. **Mr. V. G. GARCIA III** (Philippines) welcomed the further refinements made to UNIDO programmes and services and supported the emphasis on enhancing productivity. That approach would enable the Organization to monitor improvements in industrial development resulting from its interventions and its overall contribution to the attainment of the MDGs. The Philippines requested that concrete programmes be established and pursued with a view to the more effective promotion of South-South cooperation to assist the industrialization efforts of developing countries.

68. His delegation commended the broad range of programmes that UNIDO planned to implement in cooperation with other international development agencies in several countries affected by crisis situations. However, caution must be taken to ensure the proper timing of programme implementation in order to avoid endangering the lives of UNIDO field staff in countries faced with a volatile security situation. The Organization could also further streamline its involvement in post-crisis rehabilitation activities, focusing only on its core competencies and the central theme of productivity enhancement, in order to avoid excessive demands on its human and material resources.

69. The Philippines fully supported the decentralization initiative and the continued streamlining of the Organization's field operations, and encouraged further consideration of proposals for UNDP-UNIDO field cooperation, which should take into account previous experience among Member States of UNDP-UNIDO cooperation. The presence of UNIDO field representatives with the necessary expertise in the various UNIDO programmes was critical to the success of present and future programme implementation in developing countries.

70. Decentralization should not be undertaken at the expense of the equitable delivery of UNIDO services and programmes to developing countries, given that it would entail additional budgetary outlays and administrative costs. There were concerns that the process could lead to the closure of field offices in the developing countries. The Organization should therefore approach the issue with appropriate care and without prejudicing its existing field representation structure.

71. **Mr. ZHANG Yan** (China) expressed support for the Organization's efforts to establish a corporate strategy, formulate appropriate research programmes, focus its services on a select number of priority areas, pursue decentralization and draw up a long-term vision statement. Through the implementation of the Strategic Guidelines, UNIDO would be able to prioritize its technical cooperation activities rationally, taking into account its limited resources. The focus of the medium-term programme framework should be on the interests and needs of developing countries and the attainment of the MDGs.

72. With regard to South-South cooperation, the Chinese delegation noted with satisfaction that much had already been achieved in terms of human resource development, capacity-building in Africa and cooperation between the various regions, that UNIDO had actively participated in the Tokyo International Conference on African Development, thus further contributing to private sector development, and that it had also taken part in the High-level Conference on South-South Cooperation held in Morocco, which had underlined the importance of triangular cooperation between developed and developing countries and international organizations.

73. The Chinese Government had always attached importance to South-South cooperation and sought to enhance cooperation with developing countries. In recent years China had achieved good progress in its efforts to forge cooperative ties with neighbouring countries, and also with African countries, as reflected by the China-Africa Cooperation Forum. That Forum would continue to promote broad cooperation between the two regions on the priority areas of human resources, agriculture, infrastructure, investment and

trade. South-South cooperation should be an item on the agenda for the next General Conference session.

74. In 2004, the Chinese Government had founded a Centre for the promotion of South-South Cooperation. In addition, the recent meeting in Hangzhou on small hydro power had made a valuable contribution to the promotion and application of small hydro technology in developing countries. The International Conference on South-South Cooperation had discussed ways of increasing the pace of small hydro development in Asia, Africa and Latin America through cooperative efforts. Other technical centres in China were also playing a positive role in South-South economic and technical cooperation.

75. Whilst continuing to contribute to South-South cooperation efforts, especially in priority areas such as applied technology, the work of the International Trade Centre (ITC), and renewable energy technology, China hoped that UNIDO would actively implement the triangular cooperation arrangements and mobilize the necessary funds.

76. His delegation supported UNIDO activities relating to the reconstruction, security, stability and development of post-crisis countries, for which it urged the continued mobilization of additional resources.

77. While not a high priority, decentralization would be important in the long-term sustainable development of the Organization and would require a carefully planned approach. The Chinese delegation appreciated the efficient work of the informal consultative group on decentralization and supported its recommendations.

78. **Mr. SAHINBAS** (Turkey) welcomed the steps taken to enhance the developmental impact of global forum and technical cooperation activities through the further refinement of the service modules, the finalization of a new corporate strategy, the formulation of the medium-term programme framework for 2004-2007 and a research programme based on technology diffusion and trade capacity-building. Those initiatives contributed to the consolidation of the programmatic transformation and should provide UNIDO with the framework and tools to enhance the impact of its medium-term programme activities and to develop the strategic vision statement. The Turkish delegation looked forward to receiving further information on the implementation of the programme framework and wished to encourage the Secretariat make maximum use of performance indicators in drawing up the next medium-term programme implementation report.

79. Industrial rehabilitation and reconstruction were of great importance for countries emerging from crisis situations. When the necessary conditions were secured, UNIDO could make a tangible contribution to those countries through sustainable industrial development projects.

80. The promotion and successful implementation of projects required a comprehensive fund-raising strategy and close collaboration with donors. In that regard, the delegation requested further information on proposals for a UNIDO Special Facility for Human Security.

81. Optimized and well-targeted field representation was critical to technical cooperation delivery, and Turkey welcomed efforts to further rationalize field structure by taking into account the needs of recipient States and the possibilities for improved inter-agency cooperation. Turkey looked forward to further information on the results of the dialogue between UNIDO and UNDP concerning a possible alliance, an initiative which it supported but which should be developed while promoting and maintaining the Organization's competencies and visibility and observing budgetary prudence.

82. A carefully planned and phased-in approach to the expansion of UNIDO's field presence should be adopted. Pilot projects could be useful for the formulation of solutions.

83. He hoped that the newly approved strategy for Investment and Technology Promotion Offices (ITPOs) would ensure synergies and harmonization of activities between ITPOs and National Cleaner Production Centres, Subcontracting and Partnership Exchanges and International Technology Centres.

84. **Mr. NAQVI** (Pakistan) expressed support for UNIDO activities aimed at the industrial rehabilitation and reconstruction of countries emerging from crisis situations, and commended the establishment of an informal working group for in-house coordination, the preparation of a draft strategy paper, the creation of a Post-crisis and Post-conflict Electronic Support Resource (PPESR), the organization of a workshop on human security and the conduct of needs assessments in various countries.

85. Pakistan noted with particular satisfaction the Organization's active participation in the reconstruction of Afghanistan, with one project in progress and a further three at the planning stage relating to agro-industry, housing and rural entrepreneurship. It was hoped that further projects would follow, leading to industrial development and providing Afghan refugees with an incentive to return and contribute to the national reconstruction effort.

86. As a result of the 1997 Business Plan on the Role and Functions of UNIDO and the dynamic leadership of the Director-General, UNIDO had become an example of stability, credibility and performance in the United

Nations system, and should now consolidate the gains and capitalize on its strengths.

87. Pakistan supported the decentralization initiative, but recommended a cautious approach to the issue. The future course of action should be chosen after comprehensive and informed discussions, together with an analysis of pilot projects. Successful regional and country offices should be preserved and possibly upgraded. UNIDO must retain its distinct identity, and any changes must assist the Organization's basic objective of providing effective support for industrialization in developing countries.

88. With regard to the overall performance of UNIDO, particularly positive developments were: the 16 per cent increase in technical cooperation delivery in 2003 as compared with 2002; the sharpened focus of technical cooperation delivery, as a result of which 70 per cent of technical cooperation services went to low-income countries; the substantial increase in voluntary contributions from development partners; the dramatic increase in net approvals from governmental sources and the significant increase in net approvals from multilateral sources since 1998; and the visible increase in the collection of assessed contributions as well as arrears. However, technical cooperation delivery in the Asia and the Pacific region had decreased by more than 10 per cent, and less than 20 per cent of the funds required for implementation of the integrated programme for Pakistan had been allocated. Paucity of funds might hinder the timely completion of projects. Pakistan hoped that the Organization recognized the need to rectify such anomalies.

89. **Mr. BENSELLAM** (Morocco) said that the medium-term programme framework for 2004-2007 would ensure that UNIDO's services remained in harmony with the evolving international development agenda and the changing needs of Member States. It was essential to enable the Organization to provide more focused interventions taking into account the international development priorities as set out in the Millennium Declaration, in particular concerning global market access, rehabilitation projects and poverty reduction. While the aim of the medium-term programme framework was to improve technical cooperation activities in line with available resources, the African continent should continue to have special status with regard to technical cooperation services.

90. His delegation shared the view that South-South cooperation should be perceived as an essential component of international development cooperation that served to complement North-South cooperation and fitted perfectly with triangular cooperation arrangements. The High-level Conference on South-South Cooperation organized by Morocco in December 2003 had provided an opportunity to identify ways and means of strengthening cooperation among developing countries. It had examined the role of South-South cooperation in connection with the least developed countries (LDCs) and links between North-South and South-South cooperation modalities in pursuit of the same development objectives. The areas identified with a view to strengthening cooperation among developing countries were regional integration, trade and investment, food and agriculture, health and education and information and communication technologies. His Government appreciated UNIDO's active participation in the conference through its organization of a round table on renewable energies.

91. Morocco welcomed UNIDO's continuing close cooperation with the African continent, in particular with the Southern African Development Community and the Economic Community of West African States through the New Partnership for Africa's Development, and urged the Director-General to keep Member States informed of the conclusions reached regarding the two resolutions adopted by the Conference of African Ministers of Industry and endorsed by the General Conference at its last session, as well as the resolution on the role of UNIDO in achieving the Millennium Development Goals.

92. With regard to UNIDO activities in countries emerging from crisis situations, his Government fully supported the Organization's special initiative on post-crisis industrial rehabilitation and reconstruction and welcomed the approval of US$ 385,000 for the programme. In UNIDO's post-crisis interventions, consideration should be given both to humanitarian relief efforts and to the restoration of productive capacities, and the Organization's assistance should focus on activities within its mandate and be in line with national poverty reduction strategies. The decision to set up an informal working group and, specifically for Iraq, a task force to facilitate in-house coordination for programming, implementation and monitoring of related activities was to be commended. His delegation shared the view that UNIDO's post-crisis initiative should be based on the principles of sound diagnosis, tailor-made responses and close donor coordination and inter-agency collaboration and welcomed the intention to create a UNIDO special facility for human security with initial funds of up to US$ 1 million.

93. On agenda item 5 (d), his delegation wished to assure the Organization of its full cooperation in carrying forward the decentralization process. For such an endeavour to be successful, a number of concerns of Member States needed to be taken into account. The option ultimately chosen to implement the mechanism should achieve synergy; the question of human resources should not be ignored, given that over 25 per cent of UNIDO's staff would retire within the next five years; the volume of technical cooperation services to

the African continent should not be put at risk and the initiative should be in line with the Millennium Development Goals and not jeopardize the Organization's main objective of assisting developing countries in establishing a sound industrial base.

94. **Mr. SREENIVASAN** (India), referring to the report of the Director-General on the medium-term programme framework for 2004-2007 (IDB.28/3), said that his delegation hoped that the formulation of the new corporate strategy with emphasis on productivity enhancement, refinement of the service modules and the preparation of a consolidated research programme would lead to further improvements in the efficiency and effectiveness of UNIDO activities. The Organization's technical cooperation programmes should be geared to the key areas of its comparative advantage, technology diffusion and trade capacity-building. The initiative to integrate global forum and technical cooperation activities with a view to achieving greater relevance, effectiveness and impact was welcome.

95. His delegation wished to underline the importance of South-South cooperation. It urged UNIDO to give consideration to promoting more innovative programmes in that respect and would support any initiatives aimed at enhancing such cooperation. The Indian Government had co-financed a project on regional market access and trade facilitation for South Asian countries. The Regional Centre for Small Hydropower, which India had established with UNIDO in Kerala, had commenced its operations, offering training programmes and joint research activities. Biomass gasification technology developed at the Bangalore Research Centre of the Indian Institute of Science was in the process of being transferred and had already been incorporated in projects in Cuba and Zambia. His Government was setting up an inter-regional centre for entrepreneurship and investment training for South Asian countries and was contributing to South-South cooperation activities in the areas of training and capacity-building at the International Centre for Advancement of Manufacturing Technology (ICAMT) established in partnership with UNIDO at Bangalore.

96. With regard to item 5 (d), while his delegation endorsed the recommendations of the informal advisory group on decentralization, it considered it desirable for those recommendations to be implemented gradually. It was also important for UNIDO's own identity at the level of the regional offices and field offices to be maintained.

97. **Mr. EL-LAITHY** (Egypt) said that Egypt attached special importance to South-South cooperation and supported UNIDO's efforts to promote such activities with a view to contributing to the achievement of the Millennium Development Goals. It was necessary to mobilize additional resources for South-South cooperation mechanisms such as the Africa Productive Capacity Initiative and to develop cooperation with external partners and institutions such as TICAD and the Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries. Further support should be given to international centres in areas such as new and renewable sources of energy, modern biomass technologies and sustainable development.

98. Triangular cooperation arrangements were another example of mutually beneficial South-South cooperation, in which Egypt had many years of successful experience with neighbouring countries in Africa. His delegation urged UNIDO to give consideration to expanding triangular cooperation in that continent. Egypt was ready to make available the results of its experience.

99. With regard to agenda item 5 (c), Egypt supported UNIDO's post-crisis intervention initiative, which was in response to the increasing number of countries experiencing man-made or natural disasters. His delegation wished to request the Secretariat to provide further clarification concerning the criteria on the basis of which countries were selected to benefit from that initiative. It hoped that the fact that the Post-crisis and Post-conflict Electronic Support Resource would be made operational on the Internet by the end of the year would help UNIDO to better respond to the needs of countries emerging from crisis situations. It called upon the international community to provide the resources required for implementation of the initiative.

100. Egypt supported the Director-General's efforts in connection with the decentralization process. It followed with interest the work of the informal advisory group and hoped that the Secretariat would continue to keep Member States informed of developments in that regard. In his delegation's view, the decentralization option chosen should be implemented on an experimental basis. It should take into account the special characteristics of certain geographical areas in terms of their industrial structures and should reflect the representation of Member States within the Organization. Consideration should also be given to the relationship between UNIDO and CAMI within the framework of NEPAD.

101. **Ms. SANGASUBANA** (Thailand) said that Thailand attached great importance to South-South cooperation, which served as an important platform in the attainment of internationally agreed development goals. The promotion of experience-sharing and training programmes and increased networking provided excellent means for countries of the South to help raise each other's productivity. Economic cooperation at the regional and subregional levels and through triangular

arrangements offered countries mutual benefits. Her delegation wished to encourage UNIDO to continue its role of enhancing South-South cooperation and to strengthen the provision of its expertise and sectoral support in the areas of food, leather, textiles, wood and agro-industries.

102. Concerning UNIDO activities in countries emerging from crisis situations, Thailand was of the view that human security was closely related to the promotion of sustainable development and poverty alleviation. Her delegation appreciated the joint organization by Japan and UNIDO of a workshop on human security in January 2004 and the announcement by the Director-General of his intention to create a UNIDO Special Facility for Human Security. It wished to urge the Director-General to engage in dialogue with interested countries with a view to maximizing the utilization of existing sources of funding, such as the United Nations Trust Fund for Human Security, in order to promote UNIDO activities in countries emerging from crisis situations.

103. **Mr. HOSSEINI** (Islamic Republic of Iran) said that his delegation hoped that UNIDO would continue its role of enhancing South-South cooperation through the identification of the necessary modalities, in particular by designing an appropriate facility for funds mobilization.

104. With regard to UNIDO activities in countries emerging from crisis situations, his delegation welcomed the needs assessments recently conducted by the Organization and its participation in inter-agency missions and programme formulation missions to 14 countries, including his own country in connection with the earthquake-stricken region of Bam.

105. On agenda item 5 (d), his delegation strongly supported the outcome of the most recent meeting of the informal advisory group on decentralization. The closure of existing country offices and their replacement with UNIDO desks within a period of one to two years was an issue which required further clarification.

106. **Mr. JUAREZ** (Mexico), referring to the medium-term programme framework for 2004-2007, said that his delegation had noted the work being carried out by the Strategic Research and Economics Branch in formulating a research agenda and procedures with a view to the approval of individual research projects taking into account, in all cases, the needs of LDCs and the Organization's priorities as set out in the medium-term programme framework.

107. With regard to UNIDO activities in countries emerging from crisis situations, which could be the result not only of internal or regional conflicts but also of natural disasters, it was necessary to take account of the prevailing political situation in those countries in order to comply with General Conference resolution GC.10/Res.6, which required the Organization to hold consultations with the affected countries for the purpose of offering them its support. UNIDO's assistance activities should be clearly within its mandate and in line with national development plans and poverty reduction strategies, with due consideration given to the specific needs of each situation.

108. Concerning the Director-General's intention to create a Special Facility for Human Security to be funded initially from UNIDO's own resources, his delegation would like the Secretariat to provide further details of that proposal, which needed to be examined with caution, particularly in the light of the ongoing debate on the concept of human security and the lack of a definition that was acceptable to all States.

109. His delegation expressed support for the decentralization process and urged the Director-General to continue to seek the best option from among the recommendations put forward by the informal advisory group to enable UNIDO's field offices to become more efficient, cooperate with other development organizations and maintain their own identity, visibility and presence. In that endeavour, steps should be taken to ensure that Member States would be able to benefit from technical cooperation services even if they did not receive such assistance under other United Nations programmes and to achieve an appropriate mix of UNIDO field representation through regional offices, regional technical centres and UNIDO desks within UNDP offices. The group should continue to hold informal meetings in the coming months with a view to enabling Member States and the staff of UNIDO to evaluate the various options in order to formulate a policy in line with present needs.

110. **Mr. TAKASU** (Japan), referring to the *Annual Report 2003* (IDB.28/2 and Add.1), said that Japan agreed with the Director-General that the reform process of UNIDO had led to its transformation into an effective body making a significant contribution to the industrial development of developing countries. His delegation welcomed UNIDO's achievement of financial stability and hoped that the most effective use would be made of the resources available to it.

111. The establishment of informal consultative groups was a useful means of responding to tasks entrusted by the governing bodies. It was important to strengthen the financial base of UNIDO and widen its membership. Japan welcomed the intention to follow up the contacts established by the groups' co-chairmen in cooperation with technical branches and liaison offices.

112. His Government supported UNIDO's trade-related technical assistance and capacity-building

activities and welcomed the signing of the memorandum of understanding between UNIDO and the World Trade Organization on trade capacity-building. Japan had implemented bilateral programmes and had made a substantial contribution to the Doha Development Agenda Global Trust Fund. It hoped that specific programmes would be implemented through that framework in the near future.

113. The Asia-Africa Investment and Technology Promotion Centre (AAITPC) project was a commendable example of South-South cooperation. During the last three and a half years, AAITPC had organized 24 investment seminars and three business missions involving more than 1,900 business people from Asian and African countries. Japan welcomed UNIDO's active participation in the Asia-Africa trade and investment conference due to take place in Tokyo later in the year.

114. Japan attached great importance to the human security perspective in the formulation and implementation of UNIDO programmes. The successful workshop on human security held in January 2004 had contributed to mainstreaming that perspective in the activities of the Vienna-based organizations. His delegation welcomed the announcement by the Director-General of his intention to create a Special Facility for Human Security. The human security approach empowered individuals and communities in overcoming poverty and other hardships, enabling them to live with dignity, and should not be confused with the concept of humanitarian intervention. The Organization's projects relating to human security should in all cases be undertaken on the basis of Member States' needs. The relevance of the human security perspective was very evident in the area of post-conflict industrial rehabilitation and reconstruction and Japan had worked closely with UNIDO on such activities in Afghanistan, Sri Lanka and Iraq. As part of Japan's continuing cooperation with UNIDO, additional resources made available from the United Nations Trust Fund for Human Security would be used to finance a project to support the revitalization of agricultural productive capacities in 40 rural communities of the southern Sudan, a project to assist rural communities in Afghanistan by promoting agricultural and income-generating activities and a project to mitigate arsenic poisoning in Bangladesh.

115. On the question of UNIDO's field presence, Japan supported the recommendations of the informal advisory group on decentralization, which reflected Member States' views in a balanced manner. It was important to ensure that UNIDO's own identity was maintained and that the costs of implementation remained within existing budgetary limits. The expansion of the new field presence should follow a carefully planned, phased approach, taking into account the specific needs and characteristics of each region.

116. **Mr. NEZAM** (Observer for Afghanistan) said that the situation of political instability and a quarter of a century of conflict in Afghanistan had contributed to widespread poverty. The economic difficulties facing the Afghan people were immense and the provision of basic needs such as food, water and electricity remained a priority. His Government was grateful for the assistance received from the international community in establishing peace, security and stability. Two important donor conferences had been organized with a view to the country's reconstruction, one in Tokyo in 2001 and one in Berlin in 2004, with an unprecedented level of funding announced at the latter for the next three years.

117. In today's world, UNIDO had an important role to play in combating poverty by helping to create a favourable climate for industrial development and thus increase income through industrialization. His delegation wished to express its gratitude to the Director-General for his visit to Afghanistan in 2002 following the defeat of the Taliban. That visit had contributed to strengthening his country's cooperation with UNIDO. Afghanistan welcomed the expansion of the integrated programme approach and was convinced that the new programmes would strengthen the industrial development capacities of developing countries.

118. His delegation appreciated the needs assessments conducted by UNIDO and the programme formulation mission to Afghanistan. The Organization was planning assistance projects for the country in several areas, including support for rural communities in improving agricultural machinery and promotion of the use of low-cost housing technologies. The documents for those two projects were being submitted to the Trust Fund for Human Security for approval, and his delegation wished to thank the Japanese Government in advance for its support through that facility. In the area of privatization, a regional workshop would shortly be held on the rehabilitation of industrial enterprises in Afghanistan. Financing had been sought for the restoration of a wool spinning mill at Kandahar. A concept paper on a project for the promotion of community-level self-help and rural production had also been prepared by UNIDO for submission to the Trust Fund for Human Security. His delegation was pleased to note the forthcoming mission to his country for the purpose of finalizing UNIDO's long-term programme for Afghanistan as a country emerging from a crisis situation. It welcomed the appointment of a Professional staff member at Kabul for one year and the measures taken to recruit a national coordinator for the same period.

119. Concerning the decentralization process, his delegation supported the recommendations put forward by the informal advisory group with a view to strengthening UNIDO's field operations.

120. It was encouraging to note the Organization's improved financial situation and increased funds. In spite of financial constraints, Afghanistan had undertaken to honour its commitments to UNIDO and had already settled part of its arrears under the approved payment plan.

121. **Mr. SUJATMIKO** (Indonesia) said that Indonesia shared the view that South-South cooperation should be promoted in order to foster developing countries' economic growth and strengthen their industrial sectors, in particular through enhanced capacity-building, increased availability of resources, the provision of expertise and financial assistance and the involvement of the private sector and the academic community. His delegation hoped that UNIDO could play a greater role in enhancing South-South cooperation by intensifying its funds mobilization activities. Indonesia fully supported UNIDO's steps to strengthen cooperation with international agencies such as the South Centre in Geneva and the UNDP Special Unit for Technical Cooperation among Developing Countries and other development partners.

122. With regard to UNIDO activities in countries emerging from crisis situations, his delegation appreciated the Organization's efforts to follow up General Conference resolution GC.10/Res.6 and welcomed in particular its needs assessments and programme formulation missions. All possible ways and means of assisting the rehabilitation and reconstruction process in the countries affected should be explored and his delegation called upon the international community to participate actively in providing the necessary resources for that purpose, while at the same time not neglecting projects in other developing countries, for which resources and services previously provided should be continued. Guidelines for UNIDO's future interventions in countries emerging from crisis situations could be drawn up, clearly defining when the Organization should be involved.

123. **Mr. MARQUEZ MARIN** (Venezuela) said that his delegation wished to refer to the concept of human security in the context of assistance to countries emerging from crisis situations. Since that term was not part of the ordinary vocabulary of the United Nations system and had not been fully accepted by its policy-making organs, it should not be used as a basis for defining UNIDO's programmes and interventions in the area of post-crisis reconstruction. In discussions on that issue it would be preferable for UNIDO to use the term "human development", which denoted the objective relationship between economic and social development and the quality of life of individuals within the context of their national situation. The concept of human security incorporated both objective and subjective elements and had implications not only in the economic and social spheres but also in the political sphere, which fell outside the scope of UNIDO's agenda. His delegation associated itself with those which had expressed their full support for UNIDO's assistance to countries emerging from crisis situations. Like the delegation of Mexico, it wished to receive from the Secretariat a fuller explanation of the Director-General's proposal concerning the creation of a Special Facility for Human Security.

124. **Mr. AHMED** (Association of Former United Nations Industry and Development Experts (AFIDE)) said that, while UNIDO, in its contribution to the implementation of Agenda 21, had adjusted its policies and programmes in order to give equal consideration to economic and human development and environmental protection, there were still areas where improvements could be made in its efforts to promote sustainable industrial development. The Organization's environmental activities were not fully integrated into its overall delivery system. Sustainable industrial development could not be achieved through the implementation of only some parts of a comprehensive programme within one department or division. It was essential to identify the range of policies, activities and human resources required.

125. The staff of UNIDO had a major role to play in that regard and particular attention should be paid to quality and experience, with timely action to replace outgoing staff with a competent young generation. Adequate resources should be allocated to strengthen the Organization's professional and technical capabilities and to provide training and skills upgrading.

126. AFIDE wished to recommend that UNIDO should undertake a comprehensive study to identify requirements and examine modalities for integrating its programmes and interlinking its divisions and technology centres with a view to enhancing its efforts to promote sustainable development.

127. **Ms. HIROSE** (Managing Director, Programme Coordination and Field Operations Division), replying to points raised during the debate on agenda items 3, 4 and 5, said, in connection with the need expressed by several delegations for increased funds mobilization, that UNIDO's overall track record for 2003 had been quite positive. The Organization would continue its efforts to raise the level of available financial resources, in particular in its areas of core competencies. It had at the beginning of the year devised an internal funds mobilization strategy to better focus and coordinate those efforts.

128. The interest expressed by many delegations in South-South cooperation was appreciated. To date, UNIDO had undertaken a number of activities, including the AAITPC project and the EU-funded programme concerning a WAEMU system for

accreditation, standardization and quality promotion. Individual initiatives were under way, thanks to India, China, Brazil and Egypt, and triangular cooperation arrangements were being pursued, including activities funded by Japan within the framework of TICAD and the pilot programme for industrial upgrading being developed with WAEMU countries. The Secretariat would continue to look into the possibility of further focusing its efforts, with a view to contributing to NEPAD through the Africa Productive Capacity Initiative and ultimately to the attainment of the Millennium Development Goals.

129. On the issue of field representation, the Secretariat welcomed the expressions of support by regional groups and delegations for the decentralization and field structure initiative. It had taken note of their concerns and suggestions, including the need for UNIDO to maintain its identity and its competitiveness and to ensure that technical cooperation delivery did not diminish. The initiative entailed a dynamic process in which another agency, UNDP, was involved and Member States would be kept informed of developments in the negotiations on that new partnership. Their views would continue to be sought through the informal advisory group on decentralization, and the implementation plan would be further elaborated taking those views into account, with the formulation of a pilot stage prior to fully fledged, phased implementation.

130. With regard to the point raised concerning the transformation of field offices into UNIDO desks, she wished to explain that the reference to a one- to two-year transition period (IDB.28/CRP.7) had been made solely for cost clarification purposes using a possible field presence model. She assured the Board that the cost estimate and also the functions of the regional offices, UNIDO regional technical centres and UNIDO desks would continue to be carefully elaborated in close consultation with Member States.

131. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division), referring to the observation made by a number of delegations that technical cooperation delivery to the Asia and the Pacific region had diminished, said that the figures showed that the amount of funding for that region had continued to increase over the period from 2000 to 2003. The decrease in delivery related not to areas of UNIDO's core competencies but rather to activities under the multilateral environmental agreements, where the completion of a large private-sector programme involving millions of dollars with a short implementation time frame would make a difference. UNIDO's having to compete with organizations such as the World Bank and UNDP for similar projects in that region within the Global Environment Facility (GEF) envelope was a further factor.

132. Regarding the low level of participation from African and Asian countries at the Global Biotechnology Forum, he wished to emphasize the considerable support received from the Government of Chile and the University of Concepción in the organization of the Forum. The question of the choice of venue for events held in the future would be given careful consideration to ensure the maximum possible attendance.

133. Referring to the view expressed that UNIDO should be more active in the area of food quality, he wished to point out that funding was a very restricting factor. Funding was also a problem in the development of technology foresight activities in the Asia and the Pacific region. Programmes were in course of execution and consideration was being given to the organization of a conference on technology foresight in that region early next year.

134. On the topic of results-based management, performance indicators were currently being worked out for the Energy and Cleaner Production Branch. It was hoped that the exercise would be completed by the end of the year for replication in other branches.

135. In reply to an inquiry from the representative of Lesotho, he was able to announce that a four-person programming mission to her country was due to leave Vienna on 31 May.

136. The Secretariat valued its close cooperation with AFIDE and welcomed its representative's constructive observations concerning a more balanced approach to the formulation of sustainable industrial development programmes.

137. **Mr. FORNOCALDO** (Managing Director, Division of Administration) thanked delegations for their positive comments on UNIDO's initiative concerning post-crisis industrial rehabilitation and reconstruction and the agenda for 2004-2005. Referring to the need expressed by some delegations for a comprehensive strategy paper on that issue, he wished to inform the Board that the discussion paper which had been distributed at the round table held during the last General Conference session had now been refined and supplemented, and would be submitted to the Executive Board for approval and distributed shortly as a UNIDO position paper. That document would also provide information concerning the utilization of the UNIDO Special Facility for Human Security, on which some delegations had sought clarification.

138. As to the question of selection criteria, UNIDO's limited capacities meant that it had to concentrate its efforts on only some post-crisis countries for priority intervention. The parameters applied in the choice of nine beneficiary countries for the 2004-2005 biennium

were: short intervals from the moment the crisis ended; the focus of international attention through peace agreements, consolidated United Nations appeals, donors' conferences and other global forums; the possibility of applying more effective modalities of implementation adjusted to specific cases; and promising prospects for mobilization of external financial support.

139. With regard to the use of the term human security, he believed that at the workshop organized in January there had been consensus on the adoption of the concept of human security in the context of post-crisis industrial rehabilitation and reconstruction. However, the points raised by some delegations would be duly taken into account and the issue would be addressed in the UNIDO position paper.

140. **Mr. JUAREZ** (Mexico) thanked the members of the Secretariat for their comments. Referring to agenda item 5 (c), he wished to place on record that Mexico disassociated itself from the use of the term human security. His delegation had noted that consultations would be held concerning UNIDO's industrial rehabilitation and reconstruction activities in post-crisis situations and the terminology most suited to the mandate of the Organization.

141. **Mr. TAKASU** (Japan) said that his delegation wished to restate its position regarding the question of human security. The concept "human security", which incorporated a human-centred perspective and a community-based approach, had nothing to do with humanitarian intervention or interference in the domestic affairs or even the sovereign rights of individual States. Japan was ready to continue discussing the issue with the participation of Member States in close consultation with the Secretariat.

The meeting was suspended at 6.55 p.m. and resumed at 7.20 p.m.

FINANCIAL SITUATION OF UNIDO (IDB.28/10; IDB.28/CRP.5)

TRANSITION TO A SINGLE-CURRENCY SYSTEM (IDB.28/9)

142. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China, said that the Group was encouraged by the continuing improvement in the Organization's financial situation. It regarded the increase in technical cooperation delivery as a positive development and hoped that an increase in voluntary contributions would lead to further improvements in that respect. The Group was pleased to note that, as at 29 February, the collection rate of assessed contributions for the biennium 2002-2003 had reached 92.5 per cent and that 27 Member States, including six LDCs, had settled their assessed contributions for 2004 in full. It commended Azerbaijan, Belarus, Lithuania and Ukraine for their cooperation in carrying out their payment plans.

143. However, many Member States still had no voting rights owing to their accumulated arrears, funds for technical cooperation activities fell short of developing countries' needs and there was still no indication by some major developed and developing countries of their intention to pay their substantial arrears. The Group urged Member States in arrears to settle their outstanding dues and called upon former Member States still in arrears to fulfil their payment obligations.

144. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group, said that positive efforts had been made by the Organization in 2003 to improve its financial situation, as evidenced by its financial stability and the sharpened focus of its technical cooperation activities. The level of technical cooperation delivery in 2003 showed a modest increase in comparison with the previous two years, being only slightly below the target of US$ 95 million, a sign of UNIDO's continuing recovery.

145. The Organization's improved financial efficiency should be reflected in increased voluntary contributions for implementation of technical cooperation programmes and should encourage Member States to pay their assessed contributions in full and on time and induce current and former Members in arrears to settle their outstanding contributions in full.

146. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the European Union was pleased to note the Organization's continuing healthy financial situation, with a surplus recorded by the operational budget in the first two months of 2004, but was disappointed to observe that the collection rate for the first two months of the current year represented a significant drop compared with the same period in 2003. It reiterated its appeal to Member States to settle their arrears and to pay their assessed contributions in full and on time. The European Union would do its part in improving the collection rate.

147. While the continuing upward trend in the number of States whose voting rights had been restored was welcome, a large number of Member States were still significantly in arrears. The European Union supported the Director-General's efforts to pursue the settlement of arrears with current and former Member States. Where a country was unable to settle its arrears in a single payment, a payment plan should be negotiated as a last resort and as an exception to the rule. The

European Union wished to encourage the Secretariat to follow closely the outcome of the work of the Committee on Contributions, which had been requested to report to the General Assembly at its next session on incentives and disincentives to encourage the timely payment of assessed contributions.

148. Regarding agenda item 7, the European Union welcomed the Secretariat's work in connection with the introduction of the single-currency system and appreciated the efforts to ensure its smooth implementation.

149. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that, while the Group was pleased to note from document IDB.28/10 that the collection rate for 2004 assessed contributions was 34.4 per cent, it regretted the high level of outstanding contributions, which amounted to 159.6 million euros. The loss of voting rights by many Member States owing to arrears continued to be a cause for concern to the Group. All Member States should pay their arrears and assessed contributions in full without delay. The Group urged the Director-General to continue his contacts with Member States in arrears with a view to the settlement of their debts. It commended the signature of payment plans by Azerbaijan, Belarus, Lithuania and Ukraine and encouraged other Member States which had lost their voting rights to initiate negotiations with the aim of elaborating payment plans.

150. Referring to the resolution adopted by CAMI on support to the African Productive Capacity Initiative, in which UNIDO was called on to provide seed money of at least 5 million euros to launch the African Productive Capacity Facility, the Group wished to know whether the remnant from the Industrial Development Decade for Africa had been designated as seed money and, if so, whether the legal framework for access to such funds by the Facility had been established. The Group also sought UNIDO's support for the African Union's four-year plan of action on sustainable industrial development based on APCI.

151. **Mr. HOSSEINI** (Islamic Republic of Iran), speaking on behalf of the Asian Group, said that the Group welcomed the fact that the collection rate for assessed contributions for the biennium 2002-2003 had reached 92.5 per cent and hoped that that favourable trend would continue in the next biennium. It commended Azerbaijan, Belarus, Lithuania and Ukraine for the implementation of their payment plans. However, many Member States were still without voting rights owing to accumulated arrears and there was still no indication by some major developed and developing countries of an intention to pay their substantial arrears. The Group urged Member States in arrears to pay their outstanding dues and called on former Member States still in arrears to honour their obligations.

152. **Mr. TAKASU** (Japan) said that it was reassuring to note that the collection rate for assessed contributions for the 2002-2003 biennium was as high as 92.5 per cent and that the value of UNIDO's technical cooperation delivery in 2003 had reached US$ 94.6 million, a 16 per cent increase compared with the previous year. Japan wished to pay tribute to the Director-General for his commitment to continuously improving the effective use of the Organization's resources.

153. Japan was deeply concerned by the fact that there was still a significant number of Member States whose voting rights had been suspended. It urged those States and also former Member States which had still not paid their prior years' arrears to settle their debts as soon as possible, following the recent example of Azerbaijan, Belarus, Lithuania and Ukraine.

154. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that, as at 21 May, the collection rate stood at 65 per cent, representing a marginal increase on the figures contained in the documents before the Board, and 46 Member States were without voting rights, compared with 52 in 2003, 57 in 2002 and 60 in 2001.

ACTIVITIES OF THE JOINT INSPECTION UNIT (IDB. 28/4)

155. **The PRESIDENT** said that the Board had before it the report by the Director-General (IDB.28/4) on activities of the Joint Inspection Unit relevant to UNIDO. As most aspects of the agenda item had been covered by the Comptroller General in his statement to the Board, there would be no further introduction from the Secretariat.

156. He noted that no delegation had asked to take the floor on the agenda item.

The meeting rose at 7.50 p.m.

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6 August 2004

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-eighth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 27 May 2004, at 10 a.m.

President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 10.20 a.m.

GLOBAL BIOTECHNOLOGY FORUM (IDB.28/8; IDB.28/CRP.3)

1. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, commended UNIDO on its efforts to improve the developing nations' socio-economic conditions by introducing new technologies, such as biotechnology, which was expected to bring significant changes in food availability, especially with regard to technology transfer. While supporting the outcome of the recent Global Biotechnology Forum held in Concepción, Chile, the Group felt that special attention must be given to the selection of the appropriate technology and to the implementation process so as to avoid undesirable consequences for the world's ecology. The Group therefore greatly appreciated the recognition that newly tried and tested technologies should be applied in a safe manner, within appropriate regulatory frameworks, to help improve agricultural productivity in developing countries. The subsidiary objectives mentioned in paragraph 4 of document IDB.28/8 should be addressed efficiently and in a timely manner.

2. The Group was concerned by the low participation of African and Asian countries in the Global Biotechnology Forum, given that they were the main stakeholders in the project, and their participation was pivotal to any discussions or decisions. Should such an important issue for the developing countries be hosted elsewhere, the Secretariat must find ways of covering the developing countries' participation costs.

3. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said the Group was particularly gratified by the contents of document IDB.28/8, which highlighted the main aspects of what was regarded as a priority issue on the region's agenda. It appealed to UNIDO Member States to implement the recommendations contained in the report and stressed the need to endorse the four initiatives proposed in the Final Statement adopted at the Forum.

4. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union (EU) and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the Union had participated actively in the lead-up to the successful Global Biotechnology Forum and, while gratified at the high turn-out, had been disappointed by the limited participation of African and Asian countries. The key task now ahead was to determine the best way of ensuring appropriate follow-up by UNIDO.

5. The European Union was convinced that any UNIDO follow-up activities should fall clearly within its mandate and objectives as set out in the 1997 Business Plan on the Role and Functions of UNIDO, the Strategic Guidelines and the medium-term programme framework, focusing on areas in which the Organization had a comparative advantage, in line with previous decisions of the governing bodies and the United Nations and taking UNIDO's financial and human resources fully into account.

6. Given the importance of inter-agency coordination and cooperation, UNIDO must also place its activities within the context of work being carried out elsewhere in the United Nations system and ensure that they did not duplicate, but rather complemented, existing international activities and built on that experience, within the framework of the ongoing system-wide approach. The Organization must also ensure that any follow-up activities assisted rather than hindered the implementation of the Cartagena Protocol. The Union did not, however, believe that UNIDO had a mandate or the capacity to lead the biotechnology efforts of the United Nations system.

7. Successful implementation of the Forum outcomes required that biotechnology should not be treated in isolation, but as one of the many technologies available to UNIDO for the fulfilment of its mandate. The European Union would continue to participate actively in the discussion on follow-up to the Forum. Unfortunately, owing to the late circulation of document IDB.28/CRP.3, it had been unable to give it due consideration, but looked forward to the Director-General's presentation of his report on the Forum to the forthcoming session of the United Nations General Assembly.

8. **Mr. TAKASU** (Japan) said that a number of key issues affecting the development of technology in developing countries had been identified at the Forum, including questions relating to scientific and technical capabilities, entrepreneurial skills in biotechnology, management and commercialization, private sector and public investment, intellectual property barriers and market access. It had also been recognized that follow-up activities would require inputs and actions from a wide range of international development agencies, other specialized agencies, the private sector and the scientific community. In that connection, UNIDO had recognized the limits of its own biotechnology mandate, its limited resources and the need to involve other agencies, organizations and partners, such as the International Centre for Genetic Engineering and Biotechnology (ICGEB).

9. However, UNIDO, while taking those limitations into account, could make specific contributions to the Forum's follow-up in potential applications for raising productivity, for effective environmental management and for poverty alleviation.

10. **Mr. CABAÑAS RODRIGUEZ** (Cuba) said that, given world conditions, the results of the Forum must not be allowed to be simply consigned to the archives. Biotechnology warranted special attention, as recognized by the General Assembly of the United Nations in resolution 58/200, in which it had noted the vital role of new technologies in raising countries' productivity and competitiveness and the need for measures to promote the transfer and diffusion of technologies to developing countries. The Global Forum had been a suitable framework for exchanging information, identifying the sector's strengths and weaknesses and seeing how it could be enhanced in order to generate well-being and improve quality of life in the developing countries and countries with economies in transition.

11. For over 20 years his country had backed the development of the biotechnology sector and, with UNIDO's help, had become a country characterized by sustained development in that sector, which could put its experience at the service of international cooperation.

12. The Forum had revealed the need for: political will on the part of Governments in favour of using biotechnology as an instrument of development; creating high-level scientific capabilities; creating an infrastructure with investment processes that would ensure research and production capacities; involving the academic community in industry and utilizing firms' innovative capacity; creating specialized centres, with an important role played by regional cooperation; and facilitating technology transfer.

13. In the light of the above, his delegation supported the Forum's follow-up proposals, especially the proposal for the establishment of a working group on follow-up. His delegation suggested that the Secretariat should set up an informal working group, open to all interested countries, to work with the working group on follow-up.

14. **Mr. GONZALEZ ANINAT** (Chile) said that his delegation strongly supported the previous speaker's proposal for the establishment of an informal working group.

15. Biotechnology was an essential tool in a world in which—unlike the past when development had depended on the possession of natural resources or cheap labour—the key to progress was the capacity to create new technologies. Biotechnology was the most powerful instrument for creating better living conditions with sustainable and more equitable development. The advance of modern technology had been meteoric and in the last quarter of 2002 more patents had been applied for in the United States of America than the entire previously existing portfolio.

16. In a society in which wealth was highly concentrated geographically and 25 per cent of the world's population lived on under one dollar a day, UNIDO had called for a debate on the future of the development of biotechnology in order to make it available to all countries. United Nations General Assembly resolution 57/237 had given the Assembly's support to the Global Biotechnology Forum, jointly organized by his Government and UNIDO, and the Forum's universal mission had been made clear at the preparatory meetings held on the various continents.

17. The Forum's main aim had been to consider how biotechnology could solve the poorest countries' development and poverty-alleviation problems. It had been an organizational success and an opportunity for mature, forward-looking dialogue. He expressed appreciation to all those involved, including the four countries that had hosted the preparatory meetings, and thanked IGCEB for its support for the scientific agenda. Attainment of the Forum goals called for: creation of a database on biotechnology activities in United Nations Member States and in the developing countries; creation of a biotechnology business intelligence agency; capacity-building in developing countries, especially with regard to biodiversity, patents, intellectual property and public perception; and the creation of biotechnology information and business networks.

18. UNIDO's establishment of technology centres in Italy and India should be replicated in Latin America. In that regard, his Government was endeavouring to implement a national biotechnology policy, which would shortly be the subject of a parliamentary debate on a framework law. It was also conducting important biotechnology initiatives through its National Council for Science and Technology Research (CONICYT) and its Textile Promotion Corporation (CORFO), and had created consortia linking the private sector, academics and the Government in a joint research and development scheme. The Government was also devoting substantial resources to the establishment of a biotechnology centre at the University of Concepción, with the business sector's active participation.

19. The first diploma course in biotechnology in the world, developed at the University of Concepción with the help of eight academics from different countries, would be upgraded to a master's course in 2004 and would include intellectual property and public perception. With UNIDO's help and on the basis of the Forum's conclusions, the Government would soon be seeking the most flexible mechanisms for following up

those conclusions in Latin America and the Caribbean, which his Government was willing to coordinate.

20. Chile supported UNIDO's idea of creating a permanent forum for an informed dialogue on biotechnology, with information networks and the development of scientific, technical and entrepreneurial capacities. Follow-up must be based on existing good practices and put biotechnology at the service of economic and social development, and called for coordination of the various countries' efforts in the areas of biotechnology application, particularly bioindustry.

21. The Chilean Government proposed the creation of a regional forum—comprising representatives of the specialized agencies of the United Nations system, Governments, regional cooperation agencies and all social sectors—for dialogue among all partners concerned with the development of biotechnology so as to create an environment favourable to its use and to sustainable development.

22. Chile also proposed action to generate support for national and regional training initiatives, particularly in the following fields: access to technologies; creating national and regional consortia for technology management; forming regional capacities in the regulatory area, including biosafety, laws and intellectual property regulations; and collating good biosafety practices in the region in order to design a model system that countries could adapt and adopt, based on strict scientific, health and environmental rules that did not harm national and international trade through excessive regulation. That cooperation could take the form of subregional seminars of biosafety experts with the participation of other partners, including experts from countries outside the region.

23. The current state of intellectual property protection in the region should be analysed so as to highlight shared characteristics, defects and good practices and harmonize existing systems. Mechanisms should be identified for encouraging cooperation and competitiveness in the various fields of biotechnology, considering how the various countries' industries complemented one another, and cooperation agreements with other regions promoted. The "Bio Bio Region" International Centre for Biotechnology in Concepción could become a nucleus of excellence as part of a network of research institutions promoted by international agencies. A system for facilitating access to technology should also be set up for the countries of Latin America and the Caribbean, with the principal aim of promoting micro, small and medium-scale biotechnology industry. Such initiatives should be developed on the various continents, generating a global coordination system within UNIDO.

24. **Mr. CAMPUZANO PIÑA** (Mexico) said that, with its organization of the Forum, UNIDO had partly fulfilled the task assigned it in Agenda 21, adopted by the 1992 Conference on Environment and Development. The next step was the follow-up to be undertaken by UNIDO as part of the United Nations family, bearing in mind its mandate and the areas for future activity to be identified by the Board at the current session, thus implementing General Conference resolution GC.10/Res.7 of 2003.

25. UNIDO should endorse the four initiatives mentioned in the Final Statement and actively participate in two of them: the Platform for Dialogue on Biotechnology and contributions to the creation of a biotechnology information network. The other two initiatives were more appropriate to other specialized agencies that could devote more resources to them. The World Intellectual Property Organization (WIPO), for example, could play an important role in determining the implications of intellectual property for biotechnology, providing mechanisms that facilitated countries' access to it. UNIDO, in adopting a decision on the agenda item, should restrict its activities to specific areas within its competence, with full awareness of its budgetary limitations.

26. Regarding the International Centre for Science and High Technology (agenda item 10), his delegation considered that that Centre should do more by way of promotion and dissemination of its activities and programmes in all Member States, perhaps through the UNIDO field offices. The Centre's know-how and technology could be used in the training of science and technology personnel in States in need of specialists in certain scientific areas.

27. **Mr. ZHANG Yan** (China) welcomed the success of the recent Global Biotechnology Forum and thanked the Chilean Government for its great contribution. He was proud that his own country had been able to contribute to the Forum by hosting one of the four regional meetings. His Government supported UNIDO's intention to conduct biotechnology activities within its spheres of competence so that the developing countries could create wealth, raise their people's standards of living and endeavour to keep pace with the developed countries. He hoped that UNIDO would build upon the results of the Forum and the four regional meetings in order to devise, as soon as possible, practical follow-up plans that would benefit the developing countries in the area of biotechnology.

28. **Mr. RIPANDELLI** (International Centre for Genetic Engineering and Biotechnology (ICGEB)) said his Centre was extremely gratified to have been closely associated with the preparatory work for the Forum, which had been a great success.

29. The document distributed by the Secretariat summarized the highlights relating to the Forum, including prospective follow-up, and gave those who had not attended a clear picture of the event and a clear perception of the work ahead, of which there was a great deal if the Forum was to be remembered as more than another gathering of scientists, decision makers and stakeholders with no real subsequent effect. In that regard, UNIDO-ICGEB cooperation would be a key element.

30. IGCEB, formerly a UNIDO special programme but now an autonomous international organization, had for 17 years been working closely with the United Nations common system as a centre of excellence for research and training in genetic engineering and biotechnology, with special attention to the needs of developing countries and countries with economies in transition. Its activities had led to the publication of hundreds of scientific papers in international journals, fellowships and training for thousands of scientists, research grants totalling over US$ 12 million for the implementation of demand-driven research projects in Member States' national laboratories, the filing of international patents protecting inventions derived from work in its laboratories, and the signing of 65 technology transfer agreements with industrial partners in Member States. Many of the transfers had already resulted in the introduction of biopharmaceutical products based on IGCEB technologies in important markets.

31. Although the Centre's work might not yet suffice to ensure that the developing world benefited from all the potential of biotechnology, given the Centre's current constituency, its results were encouraging and augured well for the future. The Centre, with 51 full members, was mainly supported through the generosity of its two host countries' Governments, and had only one member—Italy—in the industrialized world and an annual budget of US$ 15 million, 95 per cent of which went directly to research and training.

32. What was needed was to provide the facilities, research, training programmes, access to intellectual property and funding for national research activities that would create in the developing world a critical mass capable of optimizing the promises of biotechnology. But to do so globally might require a substantial increase in IGCEB's dimension and constituency, with the help of like-minded Governments in the industrialized world that saw science and technology, and especially biotechnology, as an essential tool for sustainability. While IGCEB was prepared to make every effort to ensure access to biotechnology for developing countries, it also needed support from developing and industrialized countries alike. He would happily provide representatives of UNIDO Member States that were not members of IGCEB with all the information they needed in order to join.

33. In line with the agreement between the two organizations, which foresaw their active collaboration and joint implementation of biotechnology activities, an enlarged IGCEB constituency would help strengthen its collaboration with UNIDO and ensure the successful follow-up of the Global Forum.

34. **Mr. REZVANIAN RAHAGHI** (Islamic Republic of Iran) expressed appreciation to the Chilean Government for hosting the Forum and to other Governments that had contributed to its preparation. Given the importance of the subject, UNIDO should seek measured responses to the results of the Forum. He also supported the idea of establishing an informal working group to prepare recommendations for UNIDO's future action.

35. **Mr. MIRITI** (Kenya) said that he would like to make a general statement.

36. The *Annual Report 2003* (IDB.28/2) encompassed all UNIDO's activities for sustainable industrial development, not only as an engine of growth and structural transformation in developing countries, but also as a strategy for achievement of the Millennium Development Goals. UNIDO's interventions in the developing economies were critical if they were to find a way out of the poverty trap. The Organization's new concentration on facilitating trade access to world markets for small and medium enterprises (SMEs) in developing countries was vital since most of those countries' manufacturers lost out on the benefits of global trade liberalization; hence the usefulness of the recent signing of an agreement between UNIDO and the World Trade Organization to address that problem. Kenya had been chosen as one of nine pilot countries for the programme

37. He welcomed the qualitative and quantitative increase in technical cooperation delivery and was gratified that many of the projects concerned had won national and international awards for excellence. He noted the increase in the number of integrated programmes and Country Service Frameworks (CSFs) and was encouraged to learn that they were contributing to attainment of the Millennium Development Goals and that an evaluation in six countries across the globe had shown that the integrated programmes were instrumental in increasing exports and creating jobs.

38. His delegation wished, however, to see a more robust approach to their implementation; in the case of his own country, only modest progress could be reported in its integrated programme which, if implemented, would have considerable multiplier

effects. However, UNIDO's past interventions in various sectors of the Kenyan economy were laudable and had contributed to capacity-building.

39. While the Kenya integrated programme, focusing as it did on leather goods, agriculture, fisheries and dairy products, was in line with the new Government's Economic Strategy for Wealth and Employment Creation, UNIDO-funded studies had revealed some gaps in the various programme components. A review should be carried out in order to facilitate the inclusion of identified new areas such as rural energy efficiency and the development of women's and youth entrepreneurship. He appealed for additional funding for the implementation of the programme and thanked the Italian Government for agreeing to fund its leather component.

40. His Government appealed for UNIDO support for its prospective two-phase policy framework for industrial transformation by the year 2020. The first phase focused on the promotion of micro, small and medium enterprises, and the second on that of capital-intensive manufacturing industries to help move the economy away from dependence on low-technology industries and the processing of agro-products. He urged UNIDO to increase its activities in Africa through the Africa Productive Capacity Initiative, in accordance with General Conference resolution GC.10/Res.3, and wished to know exactly what progress had been made in helping launch that Initiative.

41. His delegation commended the Director-General's efforts to rationalize the Organization's field operations and hoped that its decentralization would be undertaken as part of the overall United Nations reform process and with a view to further strengthening technical co-operation delivery. Decentralization should be seen as a means of improving UNIDO's work, and any future arrangement with UNDP must respect UNIDO's core competences and unique identity and seek to expand its field presence. UNIDO could only continue to fulfil its role as the competent body for designing and implementing programmes to assist industrial development efforts if all Member States supported its programmes through provision of the necessary resources. He hoped that the appeal to all current and former Member States to clear outstanding arrears would be heeded.

42. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division) expressed his appreciation for the delegations' positive comments on and support for the work of the Global Biotechnology Forum and the follow-up process. The Secretariat took note of the constructive suggestions offered by various delegations, which it would use as guidelines. It welcomed the suggestion for the creation of an open-ended discussion group on biotechnology. Follow-up activities would proceed according to the Organization's mandate and the availability of its human and financial resources. In conclusion, he thanked Chile for its support in the preparations for and implementation of the project.

DATE AND PLACE OF THE ELEVENTH SESSION OF THE GENERAL CONFERENCE (IDB.28/11; IDB.28/CRP.8)

43. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China, welcomed Colombia's offer to host the eleventh session of the General Conference in Cartagena de Indias. She welcomed the commitment of the Government of Colombia to bear the extra costs of the event with a view to the adequate participation of all Member States. The Conference would provide a great opportunity to strengthen UNIDO's field presence, to draw the attention of the international community to sustainable industrial development and to encourage new Members to join and former Members to rejoin the Organization.

44. **Mr. SERRANO CADENA** (Colombia) speaking on behalf of GRULAC, said that one of the factors that favoured the candidature of Cartagena as the venue for the next General Conference session was the fact that the Latin American countries were involved in a process of internationalization of their economies in which industrial development and competitiveness were at the top of the economic agenda, and various free trade agreements had been signed.

45. Given UNIDO's important presence in the region, the hosting of the General Conference in Colombia would provide an opportunity to broaden the range, scope and impact of programmes developed by the Organization's regional office in Bogotá. The recently completed Integrated Programme for Colombia had yielded excellent results in terms of improved industrial performance and improvements in the competitiveness of small-scale industrial enterprises.

46. The Colombian Government was fully committed to bearing the additional costs incurred by holding the Conference away from Vienna. There would be further discussions in order to finalize decisions on the financial aspects.

47. He appreciated the Organization's interest in and consideration of the proposal, including its inspection of the location and the facilities available for international events.

48. **Mr. NETO** (Observer for Angola), speaking on behalf of the African Group, welcomed the offer made by the Government of Colombia to host the next session of the General Conference and requested that conditions be created in order to facilitate the participation of all Member States.

49. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union, recalled that Colombia had already successfully hosted a number of international conferences; he therefore welcomed the proposal to hold the next General Conference session in Cartagena, which reflected Colombia's interest in promoting UNIDO's aims and objectives. There were many advantages in holding the sessions of governing bodies at Headquarters, and a departure from established practice could only be made after careful consideration of all the consequences. The EU appreciated the information provided on financial aspects of the proposal. Some issues needed further clarification, including the details of the costs to be met by Colombia and how the costs of the Industrial Development Forum and round tables, travel by representatives from the least developed countries and the attendance of high-level representatives would be met. The EU was mindful of the Board's duty to ensure that the Organization's limited financial resources were put to optimal use. A decision on the proposal must be taken in time to allow sufficient preparation for the Conference, and the EU therefore requested written clarification of the issues concerned, particularly those relating to financial aspects, as soon as possible, and urged that a decision be taken at the next session of the Board.

50. **Ms. KADI** (Jordan), speaking on behalf of the Asian Group, said that the Group welcomed Colombia's offer but considered that any additional costs directly or indirectly related to the holding of the Conference should be borne by the host country. Since the success of the event depended on universal participation, the Asian Group hoped that the necessary steps would be taken to provide participants with a safe and satisfactory working environment and to ensure the participation of as many LDCs as possible.

51. **Ms. SANGASUBANA** (Thailand) supported Colombia's proposal and expressed appreciation for the Director-General's efforts to consult closely with the Colombian authorities with regard to the organization of the event. Her delegation hoped that agreement on the matter could be reached as soon as possible in order for Conference preparations to begin. Assistance should be offered where necessary to the least developed countries in order to facilitate their participation.

52. **Mr. JUAREZ** (Mexico) welcomed the Colombian Government's offer and urged the Board to take a decision as soon as possible on the proposal. Mexico would follow closely the negotiations between UNIDO and the Colombian Government with a view to a successful meeting within the established financial parameters concerning the holding of a Conference session away from Headquarters.

53. **Mr. DERY** (Philippines) recalled that the General Conference had held sessions in Bangkok in 1987 and Yaounde in 1993. In view of the valuable experience gained on those occasions, it would be historically and symbolically appropriate for the Organization to stress its industrial development mandate by holding the next General Conference session in Colombia. He therefore supported Colombia's offer to host the session in Cartagena.

54. **Mr. INKIRIWANG** (Indonesia), recalling the success of international events previously hosted by Colombia, including the 1992 session of the United Nations Conference on Trade and Development and the 1995 Summit of the Non-Aligned Movement, said that he fully supported Colombia's proposal.

55. **Mr. PAULINICH** (Observer for Peru) expressed certainty that the session of the General Conference in Cartagena would be a success and that participants would be able to enjoy highly satisfactory facilities. The Peruvian delegation would be happy to participate in informal consultations on the matter.

56. **Mr. CHIKANDA** (Zimbabwe), said that his delegation welcomed the offer by the Government of Colombia to host the next General Conference session, which should be attended by high-level government officials from African States and experts from the Permanent Missions in Vienna. It therefore requested that UNIDO should create the necessary conditions and financial arrangements to ensure the full and effective participation of all Member States, particularly the least developed countries, without affecting UNIDO programme priorities.

57. **Mr. SVENDSEN** (Norway) said that he wished to associate the Norwegian delegation with the statement made on behalf of the European Union.

58. **Mr. ASIEGBU** (Nigeria) said that, while the Nigerian delegation welcomed Colombia's offer in principle, as well as the efforts made to meet the conditions required for such an important event, it was concerned as to how Nigeria's national interests and those of the African region would be taken into account at a General Conference session held in Cartagena. Such concerns were of particular significance in an election year for the leadership of UNIDO.

59. Noting that, out of the 1,500 participants at the Global Biotechnology Forum, less than 20 had come from Africa, he said that it would be very difficult for some developing countries to be adequately represented in Cartagena. There were very few African ambassadors in the Latin American region who could provide the necessary logistical support for a delegation, and the

Missions to the United Nations in New York would be too busy with General Assembly negotiations to help. The costs of attending the event in Colombia would be exorbitant and limit African participation, and the burden on the Secretariat in an election year would be tremendous. It was important not to divert attention from such a major event.

60. Holding the Conference session away from Vienna might also have unintended negative consequences for the transition process itself. Further consultations were therefore needed before a final decision could be made.

61. **Mr. AREVALO** (Colombia) thanked all delegations for their support throughout the informal consultations. A considerable task lay ahead in ensuring that all concerns regarding Colombia's proposal were given due consideration. Colombia would take into account the comments made. Consultations had been held with the EU, continuing the fruitful cooperation that had proved possible in other areas, such as that of narcotic drugs. Colombia would prepare a draft decision taking into account the views expressed.

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (IDB.28/1/Add. 1)

62. **Mr. DE CEGLIE** (Italy) recalled that the broad outline of the draft statute presented by Italy for the International Centre for Science and High Technology (ICS) and contained in annex III to document GC.10/7/Add.1 had been approved in General Conference decision GC.10/Dec.19, but that certain articles had been referred to the Board for approval in order that the statute as a whole might be finalized and adopted. Noting with satisfaction the constructive consultations that had taken place, he said the proposal was that the Centre should become a permanent subsidiary body of UNIDO, based on the understanding that Italy had made a clear political commitment to continue to ensure its financing. He drew attention to article IV, which stated that the Centre's budget would be financed from voluntary contributions and that the funds and assets of the Centre would be administered and accounted for separately from the assets of UNIDO. The new statute also opened the door to further sources of financing, which he hoped would be forthcoming given that the Centre had been extremely useful.

63. Article VI stated that the Steering Committee for the Centre would include representatives of Governments selected by the Industrial Development Board in order to ensure an equitable geographical representation of Governments. Whereas the decision-making process relating to the activities of the Centre had so far involved only UNIDO and Italy, future decisions would be taken by a broadly representative committee, making the Centre a fully fledged international body.

64. Informal discussions had highlighted concerns that UNIDO might incur financial liability once the statute had defined the Centre as a UNIDO organ. To eliminate that problem, it had been agreed in the consultations that the statute should be approved but would not come into effect until the Board, at its next session, had been able to examine proposals by the Secretariat and the Italian Government to establish clearly in writing that there would be no risk of liability on the part of the Organization and that any risk would be assumed by Italy. The relevant document would be presented at the next session.

65. **Mr. AREVALO** (Colombia), speaking on behalf of GRULAC, expressed thanks to UNIDO and particularly to the Government of the Russian Federation for launching the "East-South" Cooperation Programme for International Technology Transfer for the benefit of Latin America and the Caribbean, as well as for the establishment in Moscow of a Russia-Brazil Centre for Technological Cooperation, with the aim of enhancing the technology promotion, transfer and diffusion process through the UNIDO network of international and national technology centres. The objective was to bring together the region's governmental policy makers in the areas of industry, science and technology as well as business and industrial leaders, and to help to bridge the needs of industry, capital and markets for new products and processes with the existing technology base.

66. **Ms. CLERY** (Observer for Ireland), speaking on behalf of the European Union, welcomed efforts to facilitate the adoption of a new statute for ICS. The EU supported the proposals and looked forward to the adoption of the relevant draft decision by the Board.

67. **Mr. SAHINBAS** (Turkey) said that the enhancement of productivity and development was largely driven by technological progress, upgrading and diffusion. Turkey therefore welcomed UNIDO's intention to place emphasis on technology diffusion in the delivery of its technical cooperation activities.

68. Given that the international technology centres affiliated to UNIDO provided useful inputs to the Organization's activities, it was noted with satisfaction that since 2002 ICS had begun to strengthen its project-oriented strategy, focusing on the preparation and promotion of international projects. Those who had had an opportunity to visit ICS had been highly impressed with the work carried out there.

69. The Turkish delegation hoped that the new statute, once in force, would provide ICS with the tools to better

fulfil its objectives and more efficiently perform its functions.

70. **Mr. ZHANG Yan** (China) commended the successful work of ICS, which was the result of the support provided by the Italian Government as well as close cooperation between Italy and UNIDO. The Chinese delegation hoped that ICS would continue to expand its cooperation with UNIDO Member States, assuming an ever increasing role in helping developing countries to promote sustainable development, eliminate poverty and attain the Millennium Development Goals, and that it would expand its cooperation with Chinese institutions and enterprises.

71. **Mr. VELASQUEZ TUESTA** (Observer for Peru) said that the Peruvian delegation had been impressed by the facilities and services offered by ICS, which together with those of other Centres were useful in assisting the development efforts of developing countries, and hoped that the Board would take a decision on the issue.

72. **Mr. MAGARIÑOS** (Director-General) expressed appreciation on behalf of the Secretariat for the draft statute proposed by Italy, as well as for the investment of the Italian Government in ICS, which had enabled UNIDO to support the efforts of many developing countries to enhance their participation in technology, trade and investment flows. He apologized for the late distribution of information concerning the problem of ensuring that the new statute would not entail any financial burden on UNIDO Member States, underlining that additional efforts would be made to implement the proposal agreed on in informal consultations. He thanked delegations for their understanding; he was sure that all the difficulties would be overcome in the same spirit of cooperation as had prevailed in the past.

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.28/12 and Add.1)

73. **Mr. LILLIE** (Society for International Development) said that the Society for International Development (SID) had been created in 1957 and had enjoyed consultative status for many years. It was a unique global network of individuals and organizations concerned with development, consisting of over 3,000 individual members in 125 countries, 55 institutional members and 65 local chapters. Working with more than 100 associations, networks and institutions, it took a holistic, multidisciplinary and multisectoral approach to development and social change. Through region-oriented international programmes and activities, SID strengthened collective empowerment and facilitated dialogue and knowledge-sharing, attaching particular importance to supporting development innovation at all levels to overcome poverty, injustice, gender inequality and lack of sustainability.

74. SID welcomed the newcomers to the list of non-governmental organizations in consultative status with UNIDO, fully aware of the need to ensure as broad a basis as possible for the Organization's development efforts. Different viewpoints and practical experience would strengthen the Organization and help it to respond effectively to its clients' needs.

75. Peace and prosperity could not be achieved without partnerships involving Governments, international organizations, the business community and civil society. Recognizing UNIDO's endeavours to establish partnerships with civil society organizations (CSOs) through its CSO Resource Centre, SID welcomed the involvement of CSOs in ongoing and planned projects, such as the agro-industry projects in West and North Africa, youth entrepreneurship in Uganda, women's entrepreneurship in Viet Nam and biomass technology in the Sudan. The stakeholders in the policy dialogue associated with the Global Compact were not only corporations, Governments and international organizations but also non-governmental organizations. In future, a more explicit report could perhaps be provided on UNIDO's cooperation with CSOs and non-governmental organizations in the field, as well as with those organizations that had consultative status with UNIDO.

76. **The PRESIDENT** said that the Bureau had examined the applications from organizations for consultative status contained in documents IDB.28/12 and Add.1 and found them to be in order. He would be presenting a draft decision on the subject to the plenary.

PROVISIONAL AGENDA AND DATE OF THE TWENTY-NINTH SESSION (IDB.28/CRP.2)

77. The **PRESIDENT** drew attention to the documentation on the agenda item and noted that no delegation had asked to take the floor on the item.

The meeting rose at 12:20 p.m.

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6 August 2004

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-eighth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 27 May 2004, at 3.30 p.m.

President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 3.30 p.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.28/L.2-L.10)

1. **The PRESIDENT** said that a number of draft decisions, contained in documents IDB.28/L.2-L.10, were submitted to the Board for consideration. They had been the subject of informal consultations chaired by Mr. Stelzer (Austria).

2. **Mr. STELZER** (Austria), speaking as chairman of the informal consultations, said that consensus had been reached on all the draft decisions, a positive outcome which was due to the active participation of numerous delegations and the cooperative spirit that had prevailed.

3. Referring to draft decision IDB.28/L.8, relating to the restoration of voting rights for Ukraine, he said that the draft was based on the wording of similar decisions at the level of the General Conference. The discussions had revealed some ambiguity concerning the period or sessions covered in such a decision to restore voting rights. However, the restoration of voting rights at the level of the General Conference in respect of four UNIDO Members had in every case been linked to a payment plan signed by those Members, as recommended in the 1998 report of the open-ended discussion group on timely payment of assessed contributions (IDB.19/12 and Corr.1), which stated in paragraph 14 that: "When considering applications for the restoration of voting rights, the competent body should regularly take into account the state of payments made under an agreed payment plan." Given that background, and the adoption of the report in question by the Board in decision IDB.19/Dec.5 (see document GC.8/2), he had been requested to include in his report to the plenary the understanding that the period covered by the voting rights restoration was linked to payments effected under a payment plan. Once an organ had decided to restore the voting rights of one of its members on the basis of a payment plan, it would ascertain at the beginning of each session whether the payments had been made in accordance with the terms of that plan.

4. **The PRESIDENT** thanked the chairman and all those who had participated in the informal discussions for their work.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2003 ON THE ACTIVITIES OF THE ORGANIZATION (*continued*) (IDB.28/2 and Add.1)

5. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

6. *It was so decided.*

OUTCOME OF THE INFORMAL CONSULTATIVE GROUPS (*continued*) (IDB.28/6, IDB.28/7; IDB.28/CRP.6)

7. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

8. *It was so decided.*

MEDIUM-TERM PROGRAMME FRAMEWORK 2004-2007 (*continued*)

9. **The PRESIDENT** suggested that consideration of the item should be deferred pending the availability of the text of the relevant draft decision.

10. *It was so decided.*

FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.28/10; IDB.28/CRP.5; IDB.28/L.3 and L.8)

11. **The PRESIDENT** drew attention to draft decision IDB.28/L.3, entitled "Financial situation of UNIDO".

12. *The draft decision was adopted.*

13. **The PRESIDENT** drew attention to draft decision IDB.28/L.8, entitled "Restoration of voting rights—Ukraine".

14. *The draft decision was adopted.*

TRANSITION TO A SINGLE-CURRENCY SYSTEM (*continued*) (IDB.28/9; IDB.28/L.2)

15. **The PRESIDENT** drew attention to draft decision IDB.28/L.2.

16. *The draft decision was adopted.*

ACTIVITIES OF THE JOINT INSPECTION UNIT (*continued*) (IDB.28/4)

17. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

18. *It was so decided.*

GLOBAL BIOTECHNOLOGY FORUM (*continued*) (IDB.28/8; IDB.28/CRP.3; IDB.28/L.5)

19. **The PRESIDENT** drew attention to draft decision IDB.28/L.5.

20. *The draft decision was adopted.*

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY (*continued*) (IDB.28/1/Add.1; IDB.28/L.10)

21. **The PRESIDENT** drew attention to draft decision IDB.28/L.10.

22. *The draft decision was adopted.*

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (*continued*) (IDB.28/12 and Add.1; IDB.28/L.4)

23. **The PRESIDENT** drew attention to draft decision IDB.28/L.4, entitled "Applications from non-governmental organizations for consultative status".

24. *The draft decision was adopted.*

The meeting was suspended at 3.45 p.m. and resumed at 4.20 p.m.

PROVISIONAL AGENDA AND DATE OF THE TWENTY-NINTH SESSION (*continued*) (IDB.28/CRP.2; IDB.28/L.6)

25. **The PRESIDENT** drew attention to draft decision IDB.28/L.6.

26. *The draft decision was adopted.*

DATE AND PLACE OF THE ELEVENTH SESSION OF THE GENERAL CONFERENCE (*continued*) (IDB.28/11; IDB.28/CRP.8; IDB.28/L.7)

27. **The PRESIDENT** drew attention to draft decision IDB.28/L.7.

28. *The draft decision was adopted.*

MEDIUM-TERM PROGRAMME FRAMEWORK, 2004-2007 (*continued*) (IDB.28/3; IDB.28/CRP.9)

(a) APPLICATION OF THE STRATEGIC GUIDELINES "TOWARDS IMPROVED UNIDO PROGRAMME DELIVERY" (*continued*) (IDB.28/3)

29. No draft decision having been submitted under the sub-item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

30. *It was so decided.*

(b) SOUTH-SOUTH COOPERATION (*continued*) (IDB.28/2)

31. No draft decision having been submitted under the sub-item, the PRESIDENT proposed that the Board take note of the documentation provided by the Secretariat.

32. *It was so decided.*

(c) UNIDO ACTIVITIES IN COUNTRIES EMERGING FROM CRISIS SITUATIONS (*continued*) (IDB.28/5; IDB.28/CRP.4)

33. No draft decision having been submitted under the sub-item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

34. *It was so decided.*

(d) DECENTRALIZATION (*continued*) (IDB.28/6; IDB.28/CRP.7; IDB.28/L.9)

35. **The PRESIDENT** drew attention to draft decision IDB.28/L.9.

36. **Mr. STELZER** (Austria) suggested that, in paragraph (c), the words "as well as the information provided in document IDB.28/CRP.7" should be deleted.

37. *It was so decided.*

38. *The draft decision, as amended, was adopted.*

ADOPTION OF THE REPORT (IDB.28/L.1)

39. **Mr. ALVAREZ GOYOAGA** (Uruguay), Rapporteur, introducing document IDB.28/L.1, said that it represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session, including the decisions that had just been adopted.

40. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

41. *It was so decided.*

CLOSURE OF THE SESSION

42. **Mr. MAGARIÑOS** (Director-General) thanked all delegations for their expressions of support for UNIDO. During his six years in office, the Organization had administered over 900 million dollars, including 500 million for technical cooperation programmes, a mark of the success of UNIDO's transformation.

43. The decisions adopted at the current session would be useful in guiding the work of the Organization over the coming months, in particular the decision on decentralization. The terms of that decision would be strictly observed and the informal consultations initiated in the advisory group on the decentralization process would be continued. Such open dialogue was essential and could achieve very practical results when the interests of the Organization were placed above private interests.

44. While it was necessary for UNIDO to continue to have a strong presence in the multilateral protocols and expand its administration of institutions such as the International Centre for Science and High Technology or investment promotion offices, it was essential to increase within the next few years the level of its technical cooperation services in such areas as investment promotion, trade capacity-building, technology transfer, private sector and agro-industrial development, energy and the environment so that it could maintain and enhance its positive image among Member States.

45. He invited delegations to participate in a forthcoming open seminar at which staff of the Multilateral Environmental Agreements Branch would discuss with colleagues in other branches ways of using the multilateral protocols to generate more technical cooperation projects for the development of small and medium-sized enterprises or the agricultural sector. Further such meetings would be held periodically, which members of delegations would be welcome to attend. It was necessary to foster awareness of the need to increase technical cooperation activities with a clear vision of how to enhance their impact in order to reduce poverty.

46. Progress to date towards attainment of the Millennium Development Goals fell short of target. The international community had still not invested sufficient funds or put together a set of policies to break the poverty trap in a sustainable manner. Time needed to be devoted to discussing the issue. Member States would be given opportunities to put forward their points of view and representatives of the private sector and the academic community would be asked to help contribute to a clearer understanding of how best to proceed.

47. **The PRESIDENT**, after thanking the participants for their support and cooperation, declared the twenty-eighth session of the Industrial Development Board closed.

The meeting rose at 4.45 p.m.